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Money

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FROM

F. W. Taussig,
of Cambridge.

31 Oct., 1892.

WORKS BY JAMES PLATT, F.S.S.

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"If I might give a short hint to an impartial writer, it would be to tell him his fate. If he resolves to venture upon the dangerous precipice of telling unvarnished truth, let him proclaim war with mankind—neither to give nor take quarter. If he tells the crimes of great men, they fall upon him with the iron hands of the law; if he tells them of virtue, when they have any, then the mob attacks him with slander; but, if he regards truth, let him expect martyrdom on both sides, and then he may go on fearless."—De Foe.

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G. P. PUTNAM'S SONS, NEW YORK.

MONEY

BY

JAMES PLATT, F.S.S.

AUTHOR OF

"BUSINESS," "MORALITY," "LIFE," "ECONOMY," "PROGRESS," AND "POVERTY"

REPRINTED, UNDER ARRANGEMENT WITH THE AUTHOR, FROM THE NINETEENTH ENGLISH EDITION

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PREFACE.

Und es herrscht der Erde Gott, das Geld.—SCHILLER.
("And it rules as God of the world, 'Money.'")

MONEY! an attractive title—a subject every man is interested in; and my object is to bring clearly before your mind how largely the success of English trade depends upon the currency laws in relation to our system of banking, that being the recognized medium for supplying borrowed capital, the life-blood upon which our large trade depends; and I hope to awaken within you a desire to understand this subject better than heretofore. That it is no easy task to rouse men of business to *think*, and that they cling most tenaciously to old customs, I am well aware; but the present times will compel them to hesitate, and ponder as to how trade is to be got and business is to be done; whereas hitherto they have let daily affairs float before them, content to seize hold of what they could as it passed them by, so long as they felt satisfied that the system in operation would last their time. It is this supineness, this ignorance of the delicacy and refinement of our banking and monetary system, that the future of commerce has so much to dread.

The power of money is immense, the benefit of our banking system to traders only known to those who use it; but it must be remembered that in exact proportion

to the power of the system is its delicacy. This extreme sensitiveness causes our periodical panics. The amount of money held by bankers on short notice or on demand is enormous; money that the owners could all ask for, money that in a panic many do ask for; and then it is perceived in what danger our industrial system, and the banking system upon which it depends, really are. Money will not manage itself. Our bankers have a large sum of money to manage; the task is not an easy one. The principle of our currency law is right; but in 1844, when started, there was nothing like the commerce or the deposit and banking business that now exists, and the time has come when it is imperative upon us to examine the system on which the great masses of money are manipulated, and we must have the will and courage to go to the root of the subject. No labor ought to daunt us, no prejudice should hinder us, no alarm at the convictions our inquiries may draw us to should make us recoil from their conclusions, as upon our commercial system our existence as a nation depends, and to maintain that commercial supremacy we must be sure that our currency system is not only safe and right, but the *useful* tool it should be, might be, would be, if we thoroughly grasped the subject.

"Money," how few understand it; and although all are so eager for it, yet how few know how to use it wisely, or understand what money is, its nature and qualities; how powerful a small amount of it is if judiciously used; how impotent, useless, worse than useless, to its possessor, if he does not understand its nature, and how to use the power in his hand. Adam Smith clearly demonstrated that labor is the one and only

original source of the wealth of nations; but we still want a writer of equal calibre to clearly demonstrate to the people that the causes of, and remedies for, the distress and misery we are subjected to as a commercial nation from periodical "panics," arise from the people's ignorance of "money," what it can and what it *cannot* do, and its function as a medium of exchange. "Money," in its various forms of credit, bank notes, bills, checks, is an enigma to the mass. To supply this information, so as to enable the people to comprehend business, and how to make money morally, would be one of the greatest and most beneficial reforms ever achieved.

To men I say: Be more in earnest; never let slip a golden moment; for "Fortune, the one goddess we all so strive to catch, turns a bald head to those to whom she has once presented her locks in front, and who have hesitated, and not taken hold."

> "Why wilt thou defer thy good purpose from day to day? Arise, and begin in this very instant, and say, Now is the time for doing, now is the time for striving, now is the fit time to amend myself."
>
> THOMAS À KEMPIS.

The essential point is to arouse greater earnestness, and a desire to begin at *once;* delay makes the danger. *Now* is the time for action. Be prompt; whatever is important enough to be necessary to be done ought to be done at once, and so got out of hand with as much dispatch as possible. The success of nearly all great men, in every trade or profession, may be traced to a spirit of promptitude; they put into practice the maxims, the instincts which earnest men have bequeathed to us:

"Never put off till to-morrow what can be done to-day." "Strike while the iron is hot." "Make hay while the sun shines," "Hesitancy and loitering destroy earnestness." To succeed, you must have decision of character, be able to decide promptly, and be ever in advance of your opponents, comprehending and satisfying the wants of the times and age you live in.

The importance of a knowledge of what "Money" is, is best illustrated by the case of Overend, Gurney, & Co. Within ten years, to descend from the highest pinnacle, standing next to the Bank of England in London—no English firm so well known abroad; yet, by reckless *misuse* of the immense wealth they had in their hands, in six years they lost all their own and other people's money—a result solely attributable and traceable to their incapacity for, and ignorance of, the duties of their position; a result inevitable again, as also in similar cases to the City of Glasgow Bank, unless the people generally better understand what money is. Do not be alarmed. I am no rash innovator, do not want to proceed too fast, the last man to urge any change in so delicate a subject as "currency," but quite satisfied that the time has come when "business," "money," and kindred subjects must form part of every Englishman's education, and also convinced that if taken up at the right time, the subjects are of such interest that *all* would be eager to understand them. I ask for the earnest co-operation alike from the pulpit, platform, and school board, to urge upon the people the importance for the future well-being of the nation, that all English youths be taught such subjects, and so, step by step, we may make men more thoughtful, better men of business—their actions the re-

sult of study and reflection. The end may be a long way off, but it is of the greatest importance that a *beginning* should be made. Do not expect too much at first; carefully test every step as you advance, make every foothold sure; sustained under all difficulties with the conviction that every step onward, upward, must be, will be, of benefit to mankind.

It is surprising how few people in this commercial metropolis devote their leisure time to the study of works on money, banking, finance, etc.; to literature so calculated to give them correct principles upon which to guide their actions and enlarge their mental views, by enabling them to get or take more comprehensive ideas on a matter that comes under their daily notice; such books being useful not only from the information they impart, but from the impressions they produce and the suggestions they prompt to the mind from the recollections they awaken when one has to decide the acts of one's daily life. Decision is a most essential quality, and the want of it may be attributed to one's ignorance of the subject one has to give a decision upon. Every man needs to be reminded of the importance of a steady adherence to sound principles. Books upon the subject we are engaged upon, by men who have thought and written thereon, act as a safety valve, and keep more particularly those whose time is fully occupied, business men, from going astray; such books strengthen, as it were, the impression in the mind of the necessity of firmness, and the wisdom of being guided in our conduct by a fixed line of action, and cause our life to be guided by knowledge instead of by caprice. It may be taken as an axiom that the more frequently the right path is pointed out to us

the less likely are we to wander into those which are forbidden. We all err, and deviate more or less from the laws alike of God and man. My object will be achieved if I can get you to think that for every such error we have to pay the penalty—that as we sow so shall we reap; and to stimulate into activity your better resolves; by rousing your self-respect to be better men; not to be disheartened by the past; but, feeling that you have paid the penalties the laws of God and man exact, you will begin afresh and manifest your repentance by your higher aims and earnest strenuous efforts; and to believe that God will be satisfied by the motives that control and guide your daily acts. There is good in the worst creature that ever lived, if the right means be adopted to bring it out; no one is lost whilst there lingers within him any sense of shame.

"The little I have seen of the world teaches me to look upon the errors of others in sorrow, not in anger. When I take up the history of one heart that has sinned and suffered, and represent to myself the struggle and temptation it has passed through, the brief pulsations of joy, the feverish inquietude of hope and fear, the pressure of want, the desertion of friends,—I would fain leave the soul of my fellow-man with Him from whose hand it came."—LONGFELLOW.

When we think of men's conduct in the pursuit of wealth, we need have present to our mind the sublime charity embodied in the above words, and to ask ourselves: Was money made for man, or man to make money? Can we sincerely believe that the lower was intended to rule over the higher faculties of man's nature? Is not the present life of the majority of us cursed by an abuse of the lower, instead of being blessed by the intelligent use of the higher faculties? And can

we believe seriously that it is not possible, by earnest effort, to attain a purer aim in life, by developing the better impulses of our nature, and using faithfully and truly the nobler part of us ; so that life might become to us a real wholesome pleasure—the substance, instead of the shadowy substitute supplied by a social position founded on wealth only, and the hollow happiness based upon external show and glitter ?

I agree with Goethe : "But let a man thoroughly realize what he is, and he will soon rise to be what he should be." What is wanted is to make men more familiar with the best types of humanity ; and greater effort to be made to exalt their conception of human nature. If they cannot all be great, they may be better than they are, and at the very least it is open to all men to be good and truthful, and faithful to duty, doing their work here intelligently, honestly, and thoroughly.

> "The best of every man's performance here
> Is to discharge the duties of his sphere."
>
> COWPER.

MONEY.

MONEY is a commodity, of the same general nature as all other commodities, accepted as a representative sign of the value of all other things, to act as a medium of exchange, to get over the difficulties of direct barter. Thus a purchase for money involves two exchanges; it is only half, not of a nenchange—as Mr. Macleod puts it in his useful book, "Economics for Beginners"—but of a transaction of procuring by two operations of the tool, money, the commodity desired. Aristotle says: "It was agreed to give and to receive in exchange a substance which, useful in itself, was easily available for the common requirements of life; iron or silver, for example, or some other analogous substance, of which the dimensions and the weight were first determined, and which subsequently, in order to save the trouble of perpetually weighing and measuring, was marked with a particular stamp in token of its value. With money, the outcome of the earliest indispensable exchanges, arose also another sale, another form of acquisition, exceedingly simple in its origin, but soon developed by experience, as it was discovered that the circulation of articles was the source and the means of considerable profit." The above contains the philosophical experience of the soundest and most advanced theory of the

true properties of, and the value to commerce of, money. Money must have a value of its own, corresponding to its conventional value as a circulating medium; money is a commodity, a species of wealth, with an enhanced value owing to its being the best medium of exchange, as it is the most convenient representative thing, the most general and convenient measure of all other commodities or things. But it is essential that people generally should understand better that although a wealth in itself, its chief power consists in its power to secure all other wealth; its utility consists in its ready convertibility, its ready adaptability, nearly everywhere, in exchanging itself for any other article needed. As Aristotle puts it: "Might not the moneyed man be lacking in some thing of primary necessity; and is not that an ironical kind of wealth which does not prevent a man from dying of hunger, like the Midas of mythology, whose avaricious desire changed into gold all the viands on his table?" Money should be used, not hoarded; its utility consists in its effecting exchange, not in being kept idle.

Very few men have the true theory of money in their minds, and the importance of the coin being an article of wealth as well as of its mercantile value as a circulating medium should be brought more prominently before their notice. No government should be allowed to debase the coinage; the coin in circulation should be always really the value it represents, and not a fictitious value put upon it by the government stamp. Inconvertible paper money is of the same nature as debased money, issued under the false plea that money is only a sign, that any thing will do if passable; like accommo-

dation bills, they do not represent value received, and deplorable consequences follow from their adoption by the individual or nation. Common-sense, as well as the true commercial instinct, warns us to adhere strictly to the true monetary principles—notes issued against security and convertible into coin, or value, based upon the honest utterance of a genuine metallic coinage. As a rule, free people never have bad money; whereas the temptation is constant to a despotic power to defraud its subjects, and so to realize at their expense unlawful gain, by imposing on them as genuine, money, which has neither the purity nor the weight necessary in order that its real value should correspond to the nominal value for which it is issued. But when the nation itself takes part in the administration of its affairs, although the principles of political economy may not be fully known or understood, natural good-sense and the practical use of money will suffice to prevent recourse to operations, the inevitable result of which is the ruin of the state and of individuals. Thus, until the introduction of the system of representative government in England, republics were, by the very principle of their constitution, far better secured than monarchies against the curse of the adulteration of money. When this evil was rife throughout Europe, in the Middle Ages, it was the merchant republics, like Venice and Florence, that had the surest guaranties against it. When the spirit of liberty prevailed, even in states which had a monarchical constitution, like those of the successors of Alexander, the money remained good, and the true principles of a sound currency were maintained. Wherever liberty was lost, these principles were lost sight of, and the coinage

was tampered with. For example, at Syracuse (the silver coins being elsewhere of good quality), complete bankruptcy was brought about by a change in the intrinsic value of the money which formed the basis of all reckoning; as a rule in the history of nations, bad money will be found to bear the stamp of a king or tyrant. The kings of Persia were among the earliest to begin an extensive and systematic adulteration of specie. In the last century of its existence, the Persian monarchy, which had endeavored to realize the chimera of the double standard, persisted in seeking to maintain a legal value for gold 13½ times greater than that of silver, although the commercial value of that metal had fallen everywhere at least 11 per cent. Necessarily, in spite of royal ordinances, there followed an export of silver to the Hellenic mart in such quantities that at the time of the conquest by Alexander it had disappeared almost entirely from the interior provinces of the empire, where there remained only gold, greatly depreciated by that fact, though still retaining its nominal value. In matters of finance and political economy one mistake leads to another by an almost fatal sequence, and there are few greater errors than when the people accept unresistingly the idea that the royal will was enough to give to a piece of metal, bearing his signature, a value which it could never have commanded commercially in the form of a mere ingot. Coined money in circulation should be equal in real value as metal to its nominal value; the coining and stamping are only a service, that the people may be sure, without the trouble of weighing, that, in a piece of money bearing the official stamp, they have the same quantity of fine metal as in a piece of the same

weight as the usual commercial ingot. Money, briefly, should be a real marketable article, and not a mere conventional sign of arbitrary and uncertain value.

Money superseded barter, because by barter it was not always possible to dispense with that which was usless, and by barter we had to buy at the time of selling. Money fixed a price to merchandise, and could, possessing a real value, purchase, at any time and anywhere, corresponding value in other commodities to those given for it. The official stamp, the substance being of intrinsic value, is an outward sign of this intrinsic value—hence its utility; and it is only by giving this guaranty that the government earns the right to enforce by law the acceptance of the coinage for the sum it represents; a right which can only be lawfully maintained when the government has acted with perfect fairness. No government has a right to adulterate the public money, justifying their conduct by the sophism that the value of the coin is derived from their own sacred impress affixed to it, or to restrict the operation of the Currency Act. After the suspension of cash payments, 1797, until Peel's Act of 1844, the directors of the Bank of England could issue what notes they liked; and the same power was given by the government when they suspended the act in 1847, 1857, 1866. The principles of the act are sound or unsound; if sound, it must not be tampered with; if unsound, let it be altered. No government has the right to assign temporarily or otherwise an arbitrary or conventional value to money. Nothing is more dangerous to a nation than to begin to tamper with money. It is a course in which, after the first step is taken, it becomes impossible to stop. You may argue that the deteriora-

tion of the coinage or suspending the Bank Act is adopted as a last resource, and that in such times of pressure any means are lawful to avert the catastrophe. An action may be lawful, yet neither be wise nor right, and all such actions are, in my opinion, alike wrong and unnecessary. The proper action is to find the cause of the mischief, and remove it; and not extend and strengthen the belief in the theory of the money-sign doctrine, that a legislative decision is sufficient to attach to metallic specie, or bank notes, an arbitrary and fictitious value; and so carry forward the dangerous doctrine that the state has a right to seek relief from financial pressure by that robbery, or forced loan, implied in every depreciation of the coinage. The right of the state to fix arbitrarily the value of money, is to affirm the right of a government to adulterate at pleasure. That the stamp alone of a government is to give the value to coinage is equivalent to stating that the value of money is arbitrary, and depends on the will of the sovereign who issues it: a most dangerous doctrine, intended to guarantee the integrity of the coinage, but calculated to encourage and foster the temptations to abuse it. It is a false principle, similar to that of a man deeply in debt being enabled by permission of the law to pay his liabilities nominally in full, but actually only a composition upon the amount he owes.

Cicero tells us that in the time of Cinna the value of the Roman coinage had become so dubious that no one knew precisely what it was worth; and so in the year of Rome, 670 (B.C. 84), the tribunes of the people and the prætors deliberated on the measures to be taken in order to remedy this depressing state of things. An edict of

the prætor, M. Marius Gratidianus, instituted officers for the verification of the coinage, suppressed the enforced circulation of the plated denarii, ordered that they should be withdrawn from the public coffers, and that denarii of a true standard should be given in exchange. The popular enthusiasm with which this act was received gives some idea of the gravity of the evil to which it brought redress. Statues were raised in all the public places to the prætor who had taken the initiative in so beneficent a reform, and almost divine honors were paid to these statues by burning incense and wax tapers before them. The Romans were right; no man is more worthy of a people's homage than he who dares brave the selfish interests of the few, that right may be done to the many. In reading ancient history, there is no better test of the character of the emperor than the more or less sound ring of the coins struck during his reign; and at all times it is an infallible test of a man's character, this money-test; there is no surer indication, whether the individual worships God or Mammon. The man who offends his God by not being equal to adhering strictly to right, and allows the temptation of a pecuniary gain to make him swerve from the dictates of his conscience, has given proof by the most unmistakable sign that he is a slave of Mammon, and will barter his soul, sell his manhood, for a mess of pottage. There is no more infallible sign of the weakness, the insignificance, of the individual than this degrading servility to greed, as it indicates a man who will barter his soul, sell himself, for money; and his gradual descent from high resolves may be traced as this desire, this one vice of avarice, gets possession of his soul. So also there is no more infallible

symptom of the decay of a state than the corruption of the coinage, and the steps of this decline are marked by the successive depreciation of the money. Such action indicates a low morality, as in modern times relying for relief on the "suspension" of the acts upon which the nation's currency, "money," is based, indicates a want of education, a want of intelligence.

You will best realize the value of "honest" money by considering the following picture, drawn by François Lenormant, in the *Contemporary Review* for February, 1879. After proving that the false theory of the essence and origin of money had become embodied in the laws and firmly rooted in the minds of men, he says:

"The reigning princes made more or less use of it in proportion to their unscrupulousness and cupidity. The true and sound theory, always known and practised among the Greeks, had fallen into a complete oblivion through a long course of ages, and the fatal error, which was the economic course of the Roman Empire, was transmitted to the Middle Ages, and became the source of widespread misery. Let us call to mind the disastrous consequences, in the young Christian societies of the west, of the doctrine borrowed from the empire of the Cæsars, that money was simply a sign, owing all its value to its official impress. The infinite diversity of petty powers during the feudal period added to the confusion which had prevailed even under the empire. Each feudal lord struck some coin, and every monarch made some change, greater or less, in the currency, in order to disguise his actual bankruptcy. It was required that payment to government should be made quarterly or monthly in the current coin, and according as the prince

was debtor or creditor he lowered or raised the monetary standard. These nefarious proceedings failed in their end ; the bad money, following an inexorable law, drove out the good, and, after perplexing and mischievously oscillating, the value of things was adjusted to the depressed money standard. Hence ensued the disappearance of the good money and the rise of prices—evils which it was sought to remedy by prohibiting exportation, and fixing a maximum for prices—measures as unavailing as they were obnoxious.

"Errors, frauds, and deeds of violence followed each other in fatal succession, always leaving behind the same result—corrupted morals and commercial panic. The periodical depreciation of the money caused universal confusion ; the *morbus numericus*, which was described as no less fatal than the plague itself, visited every country. Spain, Portugal, England, the Empire of Hungary, Bohemia, Naples, Savoy, suffered from it no less than France. Everywhere the old imperial idea of the arbitrary value of money depending on the will of the sovereign was hailed by unscrupulous governments, anxious to use it for their own advantage.

"It was vain for religion to thunder against these abuses through the popes and bishops, who were not always themselves exempt from the same fault ; it was vain for poetry to borrow the pen of Dante to brand Philippe le Bel as a forger :

> "' Là si vedrà il duol che sopra Senna,
> Induce, falseggiando la monetà.'

"The world continued to suffer from an evil, the true nature of which it failed to recognize. The angel of

the school, the great Thomas Aquinas himself, although, following in the footsteps of Aristotle, he enunciated the true principles of money, contented himself with counselling the sovereigns to make 'a moderate use' of the monopoly of the money, 'Sive in mutando, sive in diminuendo pondus.'"

Throughout the whole of the Middle Ages we find only one man who, by an effort of good sense, amounting to genius, and peculiarly admirable in the midst of the prevailing errors of the time, perceived the true bases of the monetary theory. This was Nicholas Oresme, Bishop of Lisieux, whose name was rescued a few years ago by M. Wolowski and Roscher from the unjust oblivion of five hundred years, and whom they have rightly declared to be a great economist and the precursor of the deepest researches of modern science in this department. But the wise teachings and the efforts of Nicholas Oresme had no result beyond the reign of his friend, Charles V., to whom popular gratitude has awarded the surname of "The Wise." After the death of this prince, the truths which the prelate economist had brought again into the light were soon forgotten. The tampering with the money was resumed, practised perhaps with a little less folly and at rarer intervals than in the fourteenth century, but still practised.

It was not till the sixteenth and seventeenth centuries that thoughtful and courageous men, in Italy and in England, began to demonstrate again the fallacy of the doctrine which attributed the value of money to the sovereign power; and in France it was not till the Constitutional Assembly of 1789, and the renaissance of economic science, that this doctrine disappeared from

theory and practice, and a monetary system was established based upon true principles, upon the notion that a sound coinage ought to have a real value as merchandise, corresponding to the nominal value for which it is current.

Such has been the fatal heritage of calamity and confusion handed down to the world for many ages by an error of political economy, the direct offspring of despotism. In casting a rapid glance over the monetary history of antiquity, we see this great truth brought out on every page, that in order to have sound finances, true money, and a good government, the first conditions are liberty, the right of control and of discussion ; that despotism, if it seems sometimes a reparative agent, and holds out fair promises to material interests which may have been imperilled in the storms of liberty, never brings more than a temporary relief, and inevitably drags a nation down to ruin, by working on false economic principles. All human science ought to have its moral teaching. If the study of numismatics should have no other results than to confirm by irrefragable evidence this important lesson, it would deserve a high place in the category of those erudite labors by which we recover the archive of man's mental and moral history. M. Wolowski, an eminent French economist, has briefly said : "The permanent hostility of nations, commercial crises, the depreciation of specie, covert bankruptcies, assignats, paper money, hatred of capital, chimerical schemes of financial renovation, such are the dire consequences of false views on the subject of money."

Money is a potent power in the hands of the wise. It is not plenty of the "circulating medium" that enriches a people, but the use they make of it. It is our duty, as

it is for our interest, to study and understand "what is money," so as to derive from it all the benefit that can be obtained by its use. Not to think of it in the sense that Hesiod wrote, that "money is life to us wretched mortals"; but to recognize, with Carlyle, that it is "the pineal flame of the body social." Money is the great wheel of circulation and distribution,—the great instrument of commerce,—the medium through which the debts, the wages, the incomes of the different members of the community are distributed to them, exchanges are effected by them, and the measure by which they estimate their possessions.

"He who knows, like St. Paul, both how to spare and how to abound, has a great knowledge; for if we take account of all the virtues with which money is mixed up—honesty, justice, generosity, charity, frugality, forethought, self-sacrifice—and of their correlative vices, it is a knowledge which goes near to cover the length and breadth of humanity; and a right measure and manner of getting, saving, spending, giving, taking, lending, borrowing, and bequeathing would almost argue a perfect man. . . . It behoves him who is getting money, even more than him who has it by inheritance, to bear in mind what are the uses of money, and what are the proportions and properties to be observed in saving, giving, and spending; for rectitude in the management of money consists in the symmetry of these three" (Sir HENRY TAYLOR).

> "Can gold calm passion, or make reason thine?
> Can we dig peace or wisdom from the mine?
> Wisdom to gold prefer, for 't is much less
> To make our fortune than our happiness.
> Nay, more than this, I can most truly state,
> The happy only are the truly great."

THE ORIGIN OF MONEY.

To the Greeks we owe, if not the invention, at all events the very general extension of a circulating medium in the form of coin, and on their coins of the very earliest period we find records of the migrations, the mythology, and the manners and state of civilization of this great and interesting people. At a later period, it became customary in Greece to place the name of the chief magistrate for the time being on the public money, and this is still the general practice. The coins of the Greek colonies of Italy, Sicily, Spain, and Gaul also offer an endless variety of interesting illustrations of history, biography, and the progress of the arts ; but the Roman series which rose, as it were, on the ruins of that of Greece, are of the highest historical importance and interest. Addison, in his entertaining dialogues on coins, on which Pope wrote his well-known poem, calls the Roman coinage a sort of "State Gazette," on which all the truly great events of the empire were periodically published ; and when we find such announcements as *Egypta Capta* on coins of Augustus, struck on the conquest of Egypt, *Judea Capta* on those of Vespasian, issued when Judea was finally subjugated to the Roman yoke, or "Rex parthis datus" on the coins of Trajan, when the Roman emperor gave a king to the Parthians, we must allow the aptness of the term.

The modern series consists of Anglo-Saxon, Anglo-Norman, and English coins, and is perhaps more perfect and complete than that of any other state ; and exhibits every stage of development, from the rude Saxon penny of Elizabeth to the great coinage of gold nobles in the flourishing part of the reign of Edward the Third, as

well as the links of all subsequent progress. The eventful reign of Charles the First might be exhibited very graphically in a small cabinet of his coins—the rude "siege pieces," struck without coining apparatus in different parts of the kingdom whither fluctuating fortunes drove the unfortunate prince, serving as monuments of almost each disaster or temporary triumph; among which not the least remarkable are the great twenty-shilling pieces of silver coined at Oxford, from the plate given up by the heads of colleges to be melted down and coined for the royal cause; in which processes perished some of the noblest specimens of the exquisite skill of our early silversmiths and goldsmiths, the loss of which will never cease to be regretted by all true lovers of art. ("Humphrey's Coin Collectors' Manual.") The Assyrians invented letters of credit. The Hebrews had no coins until the time of Simon the Maccabee, 144 to 145 B. C. The earlier mention of pieces of silver should be shekels in the sense of a weight, not a coin; and the earliest mention of true coins in the Bible refers to Persian money, the word drachm being a mistake for "daric."

Throughout the early part of Scripture, as well as through the poems of Homer, not a single passage occurs from which we can infer either the use or the existence of stamped money. Metals, however, being close and compact in form, universal as to use, and admitting of division into larger and smaller parts, must soon have become the representative of value. Herodotus (i. 94), speaking of the Lydians, says they were the first people on record who coined gold and silver into money, which only means the first people that he had heard of. The *Parian Chronicle* ascribes the origin of money to the

Æginetans, under Pheidon, King of Argos, 895 years before Christ. The best numismatic antiquaries agree in considering the coins of Ægina, from their archaic form and appearance, as the most ancient known. They are of silver, and bear on the upper side the figure of a turtle, and on the other an indented mark, as if the metal, at the time of striking, had been fixed upon a puncheon, and from the weight of the blow had received a deep cleft. In later coins of Ægina the turtle has been changed to a tortoise, and the fissure on the other side converted into a device. The coins of Lydia probably come next in point of antiquity, and then the early darics of the Persian king, which occur both in gold and silver, and bear a strong resemblance to the coins of Ægina in the mode of striking; these, if they are to be referred to Darius the First, must have been coined between B.C. 522 and 486. There are coins in gold of the early kings of Persia, similar in type to the silver darics, and of very minute size. ("National Cyclopædia.")

English coins, pennies, halfpennies, and farthings, in silver and brass, coined by the Anglo-Saxon and Anglo-Danish kings, are very numerously possessed. Similar coins, struck by the Norman and early Plantagenet kings, and by the nobles, bishops, and other authorities, still exist. In the reigns of the later Plantagenets groats and half-groats were coined; and gold coins, in value equal to 18 groats, called florins, with half and quarter florins. Before this time gold had been but little used for English coin, and had borne no distinct name. The noble, whose value is yet preserved in the well-known legal fee of 6*s.* 8*d.*, supplanted the florin, and was displaced in the time of the Yorkists by the

angels (equal to it in value), the half-angels, and the vials, equal in value to 30 groats. The accession of the Tudors introduced new coins; in silver came the crown, half-crown, shilling, sixpence, and its half, quarter, and eighth parts; in gold, the sovereign, and double sovereign, crown, half-crown, and noble. With the Stuarts were introduced guineas, half-guineas, and two- and five-guinea pieces in gold, with halfpence and farthings in tin and copper. Quarter-guineas in gold were struck in the earlier reign of the present house. Copper pence and twopenny pieces, and seven-shilling gold pieces, were issued by George III. At the end of the war our present coinage was introduced, excepting four-penny pieces, which were struck by William IV. in silver, and threepenny pieces, in silver, and the farthing, in copper, by our present monarch. Double sovereigns and five-sovereign pieces were struck in gold, but are not in general circulation, and twopenny, penny, halfpenny, and penny pieces in silver also, which are usually called Maunday-pence, from an ancient custom of giving these and other small silver coins as alms on Maunday Thursday at the Royal Palace. It must not be supposed that the value of these coins continued the same, as the sameness of the name would seem to imply. The worth of metallic money always depends upon circumstances which no legislature can control, and as it can always be converted into bullion, no laws can keep it at a fictitious value. ("Barclay's Dictionary.")

Abraham's purchase for four hundred shekels of silver, "current money with the merchant," of the field and cave of Machpelah as a burial-place for Sara, is almost the earliest instance on record of a money transaction.

In the same Book of Genesis we read that Joseph's brethren, when they went into Egypt to buy corn, found their money returned to them in their sacks, "each man's money in the mouth of his sack in full weight." This is worthy of remark, as indicating that in that early age it was not only the habit to count money, as to the number of pieces, but to take cognizance of its weight. The fact of their counting as well as weighing is apparent from another chapter, where we are told that Joseph, when he sent his brethren for their father, made presents to them of changes of raiment, "but to Benjamin he gave three hundred pieces of silver." Thus early in the history of the patriarchal dispensation we find that a silver currency, guarded both by tale and by weight, was in ordinary use; so it is probable that trade, as we now understand the term, was even then—nearly two thousand years before the time of Christ—an old institution. Mere barter of one commodity for another, which marks the transition of each nation or group of men from barbarism and theft to civilization and commerce, had been superseded in those earliest communities that arose in the garden land of the world. While Abraham's ancestors were leading a pastoral life in Ur of the Chaldees, their neighbors of the Aryan stock were building cities and developing commerce in Persia and India, and the patient settlers on the banks of the Nile were making Egypt a granary for all the nations. Abraham, "very rich in cattle, in silver, and in gold," going down to sojourn in Egypt, with his flocks and herds and tents, because there was a grievous famine in Canaan, only did what other fathers of nations often had to do in times when it was easier for men to travel hundreds of miles in search of

food than to wait until the food was brought to them. It was so two centuries later, when Jacob and his family went to settle in the land of Goshen; and the history of Jacob's son—Joseph, first a slave, then Potiphar's clerk, then Pharaoh's prime-minister—is the earliest biography extant of a great merchant prince. The industry and shrewdness, the skill in turning all things to his profit, and the fidelity to his own race which Joseph displayed, have been the inheritance of the Jews, and the main source of their commercial success during the past five and thirty centuries. ("The Romance of Trade," by H. R. Fox Bourne.)

The value of money consists in its utility as the best medium of exchange to be had. It is by labor that all things valuable to mankind are produced, and it is by exchange alone that individuals are enabled to partake of a great variety of commodities which their own labor could never, by any possibility, have commanded without it. In an advanced state of society, the food, clothing, habitations, in ordinary use amongst all classes of men, are composed of immense numbers of ingredients, the result of the industry of individuals scattered over the face of half the globe. It is evident, therefore, that if each person could obtain nothing but what was produced by the labor of his own hands, or be exchanged by the old system of barter, mankind never could have emerged from a state of the rudest ignorance and barbarism; and by its system of "currency" we have a sure indication of a nation's intelligence. The first use of money marks an epoch in the history of commerce, was indeed the beginning of commerce, as in all its subsequent stages it has served as its pivot or fulcrum. The

banker's calling began almost with the beginning of society. No sooner had men learnt to adopt a portable an[illegible]-artificial equivalent for their commodities, and thus to buy and sell and get gain more easily, than the more careful of them began to gather up their money in little heaps, and great heaps, if they were fortunate enough. These heaps were by the Romans called *montes*—mounds, or banks—and henceforth every money-maker was a primitive banker. When and in what precise way the great advantage of joint-stock heaping up of money was discovered antiquaries have yet to decide. It is enough for us to know that everywhere, as soon as commerce and patriotism had engendered enough fellow-feeling and community of interest among groups of men and sections of society, banking began to pass out of its first rude stage and to advance towards the condition in which we now find it; and by giving the subject the necessary thought, our banking system, with the principle of the Currency Act judiciously enlarged, is quite able to meet the needs of an increasing commerce. Bankers or money-changers' tables were famous institutions all over the civilized world of the ancients. Livy tells how, in 308 B.C., if not before, they were to be found in the Roman forum, and later Latin authors make frequent allusions to banking transactions of all sorts. They talk of deposits and securities, bills of exchange and drafts to order, cheques and bankers' books, as glibly as a modern merchant. But these things were nearly forgotten during the dark ages, until the Jews, true to the money-making propensities that characterized them while they still had a country of their own, set the fashion of money-making and of banking in all

the countries of Europe through which they were dispersed. Their first customers and their first disciples were the Italian merchants who made Venice, Florence, and Genoa great during the Middle Ages. In England, under the Plantagenets—it was the same in all the mediæval states of continental Europe,—Jews and Italians settled themselves as traders in every thing, but especially in money, wherever any sort of fruitful commerce was carried on. The kings of England used them as cashiers, pawnbrokers, and the like, until their own subjects were sufficiently trained in monetary arts to take their place; and the royal examples were followed by all manner of folk who had need of gold, and credit enough to obtain it. Old Jewry and Lombard Street marked the districts in London that were frequented by these foreigners between the twelfth and fifteenth centuries.

The Jews and Lombards in England, however, were only bankers in the sense of money-lenders; and the Englishmen who succeeded them were of the same character down to the seventeenth century. What Sir William de la Pole was to Edward III. Sir Richard Whittington was to Henry IV. and Henry. V., and Sir Thomas Gresham to Edward VI. and Queen Elizabeth; and these famous men were only representatives of an irregular class of bankers, who enriched themselves and added greatly to the wealth and welfare of England during a dozen generations. All merchants were then to some extent bankers, but the trade of banking in its primitive condition was especially a part of the goldsmith's calling. This was only natural when gold was money much more exclusively than it is now. The

banking occupation of the goldsmith was unintentionally introduced by Charles I., who, when sorely in need of funds with which to raise an army against the rebellious Scots, took possession of about £200,000, lodged by the merchants of London in the Royal Mint as a place of safe custody. From that time the Mint ceased to be employed as a bank of deposit; but the troubled state of the country, just entered upon civil war, rendered something of the sort more necessary than ever. The example of one or two who entrusted their savings to the goldsmiths, accustomed to the guardianship of large amounts of treasure, was quickly followed by others. This new arrangement found favor more rapidly through the willingness of the goldsmiths to pay interest for the money placed in their hands; and long before the time of the Restoration they found themselves placed in a position very similar to that of a private banker of the present day; some of them, indeed, were actually founders of banking houses that now exist. William Wheeler, one of the number, left his shop in Fleet Street, next door to Temple Bar, to his son-in-law, Francis Child, known—probably because he was the first to throw aside the goldsmith's trade, and make banking his only business—as "the father of the profession," and the same site was occupied till recently by the establishment which he made famous. James Hore, or Hoare, who settled first in Cheapside, and afterwards in Fleet Street, was, in like manner, the builder-up of the business that yet bears his name. (For further details of banking, etc., the reader is referred to "The Romance of Trade," by H. R. Fox Bourne.) The goldsmiths gave paper bonds for the vast sums of money that they re-

ceived, just as they had been in the habit of receiving paper bonds for the money that they lent ; and they soon had half of the actual coins of the land in their keeping ; and the paper equivalents for it, issued by them, came to be used everywhere as money. Thereby inordinate power was placed in their hands, and great risk was incurred by those who made them their cash-keepers. The money intrusted to them was often lent out by them at high rates of interest, and if they failed through their own speculations, their clients were the chief sufferers.

To lessen this danger, and provide a means for merchants to lend and borrow money, the Bank of England was started in 1694. The earliest bank was that of Barcelona, founded in 1401 ; the Bank of Venice did not receive money on deposit before 1587 ; the Bank of Genoa did not perform genuine banking business until 1675. Banks were opened in Amsterdam, Hamburg, and Rotterdam, early in the seventeenth century, in each of which private speculators, in return for special services rendered to the state, in lending it money and collecting its revenues, received from it special privileges and protection in their financial relations with their fellow-citizens. The Bank at Amsterdam was prosperous when William III. became King of England, and from it William Paterson to a great extent derived the suggestions which he offered to Parliament in 1691. To appreciate at its proper worth the wise methods of banking and finance Paterson advocated, we must recollect the systems of public borrowing then in vogue. "When the Treasury was empty," as Macaulay says, "when the taxes came in slowly, and when the pay of soldiers and

sailors was in arrear, it was necessary for the Chancellor of the Exchequer to go, hat in hand, up and down Cheapside and Cornhill, attended by the Lord Mayor and by the Aldermen, to make up a sum by borrowing £100 from this hosier, £200 from that ironmonger; and for these paltry loans he had to pay such interest as spendthrifts now pay to extortionate Jews upon accommodation bills." In 1691 the National Debt being then a new thing, Paterson was examined before the House of Commons as to the best way of collecting and managing public loans, the public debt, then £3,000,000, being apparently an overwhelming burden to the country. He suggested that a fixed sum of £1,000,000 at six per cent. should be subscribed by a corporation of merchants, and converted into a permanent fund, to be employed partly in meeting the pressing claims upon the State, and partly in forming a public bank, "to exchange such current bills as should be brought to be exchanged, the better to give credit thereunto, and make the said bills the better to circulate." The suggestion was demurred to by Parliament, the old struggling ways of borrowing were continued, and by 1694 the debt was thus raised from £3,000,000 to £6,000,000, and the government found itself in such embarrassment that it was forced to adopt Paterson's project substantially, though not quite as he planned it, for a bank of England.

In 1693 "Mr. Paterson" is mentioned in the journals of the House of Commons as appearing before a committee on behalf of capitalists of London, to offer money for the public service upon parliamentary security, with the *new condition*, that their bills, *payable in*

coin on demand, should be made transferable without *endorsement.* Herein you will perceive the origin of the Bank of England note—paper-money representation of gold, paper money based on the value of gold; being payable on demand in coin, transferable, and payable to bearer. At the present day we can judge, by the specious arguments of those who advocate *paper* money, the difficulty Paterson had in answering by his tracts the specious writings of the numerous projectors of the many wild schemes then so rampant, who, to further their own ends, boldly advocated a government paper money, or transferable bills *not payable in coin on demand.* Paterson in 1691 proposed means for restoring the coinage to its proper standard; but his advice was not taken, and ultimately the measures adopted on that head with great ability by Mr. Montague, afterward Earl of Halifax, were far less economical, and even less effectual, than the plan proposed by Paterson. On that occasion, in 1696, the Bank of England, the direction of which he had quitted, was compelled by mismanagement to stop. The stopage was the more serious, as it took place pending the difficulty respecting the coin; and the value of the bank notes sustained a great fall, since the credit of the bank itself was weakened. From two letters (attributed to Paterson) sent to Mr. Locke against lowering the standard of the coin, as proposed to the Treasury by Mr. Lowndes, I extract the following, as being of universal application; and as they also clearly demonstrate the value of credit, and how alone credit is to be obtained and maintained, the lesson conveyed is no less applicable in 1880 than it was in 1696:

"The discredit of the coin, from its being clipped or

worn, and the discredit of the bank notes, in consequence of the refusal of payment by the bank in gold coin on demand, are the same thing, and he insists that the proprietors of the bank, and the directors, have only one course open if they would be safe. They must pay the amount of their notes in coin on demand, whatever it might cost them."

It is only by understanding our monetary system that we can realize the power of "credit." Our commercial system is based upon faith; cheques, bills, notes, are mere bits of paper, and only *promises* to pay; yet so great is the power of "credit," that transactions to the extent of "over a hundred millions" weekly are transacted through the Clearing House. *Gold* is a mere pigmy, as a medium of exchange, to this giant, "paper," based upon "credit." Simply by system and faith, in conjunction with banking, this institution settles the exchanges, the buying and selling, to this enormous amount, without the aid of a single metallic coin,—merely by book-keeping, or *transfer* of cheques, the debiting or crediting of A or B. Credit—few know its power, how strong it is; as the air, to buoy you up; how slight it is, as a mere vapor; when roughly touched, can do an amount of mischief of which it is impossible to foretell the extent. Mr. Harvey says: "Paper money is the money of civilization." He is right; but I contend we have already in operation a paper money, "cheques," doing its work well, and a monetary system, based on *reality*, that, with an intelligent expansion, is quite capable to meet the needs of 1880. There must be no tampering with this principle; it must be a paper binding its issuers to their last penny to honor it on demand with gold, or with securi-

ties or produce calculated upon the value of gold. It is this belief that has made bank notes so useful to us, and enables "cheques" to take the place of coin. Paper money, unless based on real money, is like a bill of exchange from a doubtful trader, or an order from a man in bad credit. Prudent men leave both alone; the gain is doubtful, the certainty of a loss at some period is inevitable. For paper money to have a legal security, to have the value of real money, it is essential that the belief exists that the law compels that it shall not be issued except upon a money basis redeemable in gold, or of equal value to gold, on demand. Any faltering in payment of paper diminishes its value; it has become a kind of clipped coin, and no security can restore the apparent value but the confidence of the nation that the note will at all times and anywhere be of equal value to the money it represents. There is no necessity for this metallic guaranty to be abolished, as our commercial panics do not arise from too little gold, but upon the too large use of paper bills of exchange, that have got into circulation upon the representation that the merchant has consigned goods abroad to the value thereof, or that they represent a debt due by A to B; and the value in both cases not being real, the collapse is inevitable. And I have failed in all the methods ever brought under my notice to see how this can be remedied by any system of paper money based upon labor, land, and other so-called articles of value, as the value must depend upon supply and demand; and if paper money could be had by all producers, there would be too much of one thing and too little of the other. Therefore *gold* is the best measure of value, and the basis of the best medium of exchange

between all men. We do not take a note if we think it can only be paid by another note which has a limited sphere of value, but we take it because we think at any time the five sovereigns it represents are to be had by applying for the same, and that the five sovereigns will give us equal value to what we gave for the note anywhere, everywhere. You may talk as you like about money being only a medium of exchange, you cannot alter the fact that money is the universal medium of exchange, because it is based on the value of gold or silver ; and paper is taken as money because it is accepted as a promise to pay gold for it when wanted. Paper, like steam, is eminently useful in prudent hands, but of tremendous hazard when not controlled ; and the majority lack the practical wisdom required to manage paper money, the sagacity to know when to expand and contract it ; and they forget that, working with such explosive materials, whenever there is a doubt, they should incline to the side of safety. Hopeful men are not fit to use such a dangerous weapon,—they over-trade ; but there could be no over-trading without reckless credit, and this latter is caused by the facilities offered by banks. The remedy for panics is to borrow less, to give less credit, and to keep trade to legitimate demands and healthy channels. Keep, in fact, to real money, which can hardly ever multiply too much in any country, because its legitimate increase is the certain sign of the increase of trade, or thrift, of which it is the measure, and consequently, of the soundness of the whole body. But paper money may, does increase without any increase of trade or thrift, for it is not the measure of the trade or providence of a nation, but of its

necessities ; and it is absurd, and must be ruinous, that the same cause which naturally exhausts the wealth of a nation should likewise be the only productive cause or representative, of its money. For instance, there are those who argue that "consols" should be the basis of money. A, they say, lends the government £1,000, and if he had a transferable promissory note he would retain a representation of his money, although he had parted with the reality. I know no better way of explaining the respective merits of gold and paper. Those in favor of the gold currency say "No." A has transferred his gold to B, therefore is simply entitled to his name being entered down as a creditor of the state, entitled to so much interest, and with power to sell his debt when he can find a purchaser, and it would be very unfair, and depreciate the value of every one else's gold, if he had a piece of paper like a bill of exchange that he could cash in case of need for the money so lent. There would be in reality two moneys in existence, the "paper money" and the "real money," for which the borrower has been able to obtain value in exchange, the paper money representing a debt truly, but with no real money behind it ; as money in the funds is not *money* at all,—it is a debt, bringing in a certain interest yearly, and on account of the regularity of payment of this interest, the people with money generally are willing to pay the money back to A and have the indebtedness transferred from his name to theirs. But, in plain language, the possessor of a thousand pounds' worth of stock possesses nothing in reality but the right of receiving the interest of a thousand pounds, which money of his the government of the time having need of, borrowed of him, and spent. Bank notes as now

issued are the only legitimate paper money, and the nation should watch jealously any increase thereof, unless warranted by an increase of gold in the coffers of the bank ; or, as you will perceive further on, my opinion is that the state alone should issue notes ; and that all bankers ought to have the right to obtain the notes they require, by depositing with the government national or other securities of the full value of the same ; every note to be stamped when issued in proportion to its value ; and that notes should be issued for one pound, two pounds, three pounds, four pounds, as well as for five pounds, etc., as at present.

WHAT IS MONEY?

The reply of most will be: That something which raises us above those small schemes and struggling in which the mass of the people have to pass their existence ; that something which enables us to feel secure of our position, which enables us to be uppermost, to feel ourselves on the highest round of the social ladder, and therefore worshipped by all of us, because we hate the idea of being inferior to anybody.

Money is a power whose sway
  Angel forms adore,
And the lost obey,
  Weeping evermore.

It will do us all good to understand money better, and talk about it more than we are in the habit of doing. It is the key to a man's character how he talks of money. Most people treat money as if it were a sin to mention it ; it is a subject rarely talked about in society—or they

hug it to themselves as a bosom friend. It needs a well balanced brain to understand and treat money at its real value, and you can detect the weakness or strength of a man by the way he talks about money. Some will speak of it as if happiness consisted in possessing it; whereas happiness is not in the money, but how the man will use it. The secret of happiness is to look things in the face, to resolve to do your best and endure the worst, to realize that "all is not lost when much is lost." The happy man is he who grasps the idea that the struggle of making life contented is always to make the best of things that might be worse; to such souls "there are spring days in winter."

What is money? "A simple invention it was," says Mr. Carlyle, "in the old world grazier, sick of lugging his slow ox about the country till he got it bartered for corn or oil, to take a piece of leather, and thereon scratch or stamp the mere figure of an ox, *pecus*, put it in his pocket, and call it *pecunia*, money. Yet hereby did barter come to be sale; the leather money is now golden and paper, and all miracles have been out-miracled; for there are Rothschilds and English national debts; and whoso has sixpence is sovereign, to the length of sixpence, over all men; can command cooks to feed him, philosophers to teach him, kings to mount guard over him, to the length of sixpence." If money be "the sinews of war," it is that because, in a much more real sense, it is the sinews of trade. Money is metal coined for the purposes of commerce, and is usually stamped with the name and arms of the king or ruler of the state that directs it to pass current. In a more enlarged sense, money means any representation of property, whether as coin or in the

form of paper; the circulating medium now means any currency usually and lawfully employed in buying and selling as the equivalent of money, as bills of exchange, bank notes, cheques. Money was originally stamped coin, and afterwards any thing that generally takes its place in buying and selling. Cash was originally coin kept in hand for immediate use; and hence cash payments are strictly payments in coin, though bank notes and cheques are ordinarily received in such cases because of the public faith that they can always be cashed at the bank. Money in political economy is any representation of wealth, whether metallic or paper, issued by government and sustained by their credit. Commercially, bills of exchange are very powerful as monetary agents. Mr. Macleod tells us that "money is a representation of debt, a right or title to demand something from some one else," and that "the special and particular purpose of money is to represent the debts that arise from the unequal exchanges of men." Debts are deferred payments; whether money is given at once, or the goods are taken away upon a covenant to pay for them a month later, the nature of the exchange remains the same. No new element is introduced; the exchange is simply not completed at the time. But the debt is not money. By means of bills the tradesman can sell his claims to his banker, who will lend him the money and receive from the purchaser the money when due. But it is a great error to call a debt money—that is, wealth. Debts are not wealth, but simply an acknowledgment by A that he has received property of the value thereof from B, and that he will pay the money at a specified time. In large transactions debts are settled by cheques and bills of

exchange. A bill of exchange purports to be an acknowledgment by B that he owes A a certain sum of money for value received, the bill being payable to A or his order. By endorsing the same he transfers his right to receive from B a certain sum, at a time specified, to C, on condition that C gives him the money at once, less interest for the time to run. Bills of exchange are very useful as remittances between different countries, and for adjusting the commercial debts which may be mutually due and owing by other parties, besides those whose names may appear on the bills as drawers and acceptors. Bills are purchased by those who have to make remittances to places on which they are drawn of parties by whom they are drawn ; and the trade of purchasing and selling bills forms an important branch of monetary business, conducted by persons who are termed exchange brokers. The value of the bills when offered for sale depends not only on the actual amount for which they are drawn, but also on the conditions of the market as regards the demand and supply. If there are plenty of bills offered in any particular city, the price falls, and when they are scarce it rises. The fluctuations in prices are made public twice a week in London by what is termed the "Course of Exchange," being a list of the chief cities on which bills are drawn, and it shows the rate of exchange, or the premium, or discount, on bills in the places specified. Bills of exchange are very useful, and relieve the mind immensely. A merchant with heavy payments would never be able to bear the strain were it not for the knowledge that he holds in reserve an amount of paper money that in case of need his bankers will pass to the credit of his account, at the rate of inter-

est current at the time, according to his position. Good bills may always be discounted. The facilities for converting bills into cash have caused at all times a large amount of what are called "accommodation bills." In reality such bills are a fraud, and the drawer and acceptor of all such fictitious documents ought to be punished for obtaining money under false pretences. Their origin arose as follows: A trader unable to meet his liabilities, yet in good credit with his banker, gets a friend, customer, or employé to accept a bill or bills, and pays the same into his banker's with other good bills, upon the assumption they are all *bona-fide* trade bills, received by the merchant from his customers for goods sold and delivered. As the bill or bills become due, the same operation is repeated to raise money to meet it; until invariably at last, during some commercial panic, the banker, being more cautious, refuses certain bills, and the bubble bursts. The ruin of the insolvent trader himself is accomplished, and he not unfrequently draws along with him others who unfortunately, or imprudently, or fraudulently have been acting in collusion to pass off as genuine bills, for value received, those unsubstantial representatives of value. Legally, a bill of exchange, as well in its original formation as in its successive transfers, is an assignment of a debt, by which the right of the original creditor to sue for and obtain payment is transferred to the holder for the time being. It is this assignability vesting in the holder a right of action against the original parties, which chiefly distinguishes a bill of exchange from every other form of legal contract. Another important privilege is, that though a simple contract debt, and as such requires *consideration* to give

it legal efficacy, the consideration is presumed until the want of it be shown. It is available, therefore, in the hands of *bona-fide* holders upon merely formal proof of title by the signature of the party to be charged—that is to say, it is unnecessary to prove value given unless it be first shown on the other side that the bill is in some stage or other tainted with an illegality ; and the *bona fides* are assumed until it shall be made to appear that the holder was at the time of making it privy to that illegality.

Money is defined by Colonel Torrens as "the only power which cannot only effect the purchase of a commodity, but close the transaction." A bill of exchange is "not money," although used as a medium of exchange, but it does not close a transaction ; it is merely a written acknowledgment of indebtedness by A B to C D, enabling the latter to raise money if needed thereby.

The precious metals, gold and silver, have always been esteemed the most desirable kind of property to hold, and through all time have been held in great importance.

In the second chapter of Genesis we are told of "the land of Havilah, where there is gold, and the gold of that land is good" ; and in the Book of Kings, that "silver was nothing accounted of in the days of Solomon, who made silver to be in Jerusalem as stones." As standards of value, a basis for all exchange, a solvent of all human transactions of a commercial character, the precious metals have always been of great service.

In "Money and Morals," Mr. Lalor says that "money is gold, notes, and bank-credit ;" but this is not a correct definition of money, which in reality is gold and silver, and the notes and bank credits are only useful, and only

money, in the sense that by their aid the necessary gold and silver can be obtained. Notes or checks are, as a medium of exchange, of course equally useful as money itself, as being a substitute for, or representative of, so much money; they have the power to obtain the particular kind of wealth one has need of. Money is wealth, but must not be confounded with the *real* wealth it commands; it is only one of the powers necessary to obtain real wealth, "all useful, or necessary, created things." But the power of money is unmistakable in times of panic, or when one of those hurricanes to which we are periodically exposed sweeps over the face of society, uprooting establishments of the oldest growth, and hurrying the fairest creations of human industry in ruin before it. Truly, with Shelley, then we feel

> "The awful shadow of some unseen power
> Floats, though unseen, amongst us."

Who are then the strong men to stand unbowed beneath the storm? Not the man for whom thousands are working, still less the manufacturer with his costly machines, or the merchant with his warehouse full of goods, and his organized corps of laborers, whom it seems equal ruin to retain or to discharge. Whilst the possessors of real wealth are paralyzed and trembling, the men whose dominion for the time is supreme are those possessing a good stock of short-dated bills of exchange, easy of discount anywhere, or whose balance at their bankers is such that they can deliver the proudest merchant from the jaws of ruin by a leaf from their check book. These are the men who, according to the great thought of De Quincey, "have but to touch a spring in London to

produce a vibration throughout the world, to quicken or arrest the march of armies, to frustrate the ambition of kings and statesmen, and to perform the noble exploits of modern civilization—those great ocean canals and railways which bind together the families of men."

When we think upon its great power, we must be ready to make allowance for those who foolishly regard money as an end in itself, and not as a means; and hence their life is spent in honor of the deity "Mammon." Their song and praise are ever ready to do homage to the great idol they worship so indefatigably from early morning to dewy eve. Aye, not on the Sabbath-day only, but every day, "their God is Mammon"; their entire being is absorbed in thinking how to obtain

> "Gold! gold! Nothing but gold!
> Bright and yellow, and hard and cold!"

Money is different to barter, inasmuch as in an act of barter each of the two parties make both a sale and a purchase. Each in parting with what he brings acquires a power of purchase which, however, is at the same instant extinguished by his receiving an equivalent. The introduction of money as a currency of "medial commodity" divides the act of barter into two parts. Henceforth the seller exchanges his goods for a purchase power, which he can reserve and exercise at his own time and with a different party. The essence of a medium of exchange consists in its giving this power. A metallic currency was an immense step in civilization; gold was obtained in exchange for domestic products. Each portion was a substitute for a portion of useful articles sent away. The currency of the country was

obtained by the community, as a whole, having paid for it a full equivalent out of the produce of its labor, and has acquired an instrument of singular power in quickening industry and developing not only material but moral resources. By a law of the human mind we come in time to prize any habitual instrument of gratification beyond the gratification itself. Wise rulers and teachers would impress on the people under them the necessity and value of thrift, as by easily and multiplied associations, money, gold, becomes attractive, and is very stimulating to common minds, more so than the things which it commands, and thus is instrumental in infusing a new energy into industry. The essential characteristic of money appears to be that of acting as an universal equivalent, in giving a power of purchasing anywhere to its possessor, whatever he desires, as far as its value goes, and the exercise of which power effects a payment as well as a purchase. Capital may be defined as money saved; that is, lent to labor to purchase the necessary materials and necessaries of life whilst making or creating new wealth. Paper money is useful as a medium of exchange for home purposes, and less costly than gold, paper supplying the same good offices to gold that credit does for capital; as, being in good credit, your banker helps you by loan, or discounting bills, with the capital necessary for carrying on trading operations.

The distinction between gold and paper money is this: The man who sells his goods for gold is paid: "the gold is payment." It is real barter in one sense, as one commodity is given in exchange for another. The gold, if desired, can be melted, and sold in ingots for purposes of art, for those who use gold in different kinds of

manufactures; and this shows that (less cost of coinage) it is full payment. People take it because it is a commodity worth the goods given for it; hence it is that gold is so valuable as a medium of exchange. Men soon found out that it was impossible for them to exchange the relative products of their labor conveniently without some medium representing value. It is extraordinary from the earliest period of the world, and indeed down to the present day, how very curious are some of the substitutes for what we now call money, which have been in use, at one time or the other, in different parts of the world. It may be taken as an axiom that the convenience of the medium of currency indicates the civilization of the community. There are many parts of Asia where the cowrie shell is still the habitual currency. Of course these little shells are of infinitesimally small value in themselves; but, such as they are, they are sufficient to procure for their owners a meal of those cheap productions in which those countries abound. In some parts of Africa a measure of salt is the measure of value, and in those countries salt consequently becomes the currency; and even so late as the last century, when Adam Smith wrote, it was not unusual with our neighbors on the other side of the Tweed to pay the baker's bill or the ale-house score in iron nails.

Those who argue in favor of paper money assume that trade is bad for want of gold, that low prices are unremunerative, and that unremunerative prices kill trade. They are right and wrong. There is no denying that the general power of consumption is sufficiently strong to put aside the idea of over-production so far as regards the satisfying the wants of the masses; and that supposing

that every one had more gold, there would be more purchases made; therefore it is a want of gold that indirectly causes diminution of demand. But by this want of gold, please remember I mean solely the want of power of the would-be purchaser to *offer in barter for the gold produce of equal value.* In fact, briefly, it is *under-production*, not over-production, that causes depression of trade.

Over-production is nothing but *under-consumption.* It is not that more things are produced than could be used, but either that more of certain articles are produced than there is a demand for, or that the people's power of purchase, the want of money to buy the articles produced, forces them to consume less than usual, or than they have been doing. Therefore it is under-production that causes the distress. The remedy is to "produce more"; create more produce, and get in exchange for it "money." Over-production is an absurdity; that is to say, an over-production of articles really needed. If every household had the purchasing power, could all the factories supply for a time a sufficiency of bedding, clothing, furniture, etc., that could be bought?

There is abundance of gold, abundant facilities to get money in 1887; but the power to obtain the gold is wanting. We do not want to be flooded with paper money, giving people the power to obtain the goods that are in existence; we want the people to see that they must work harder, and produce more or consume less. Trade is bad because the people have not the gold to buy commodities they could use. But they must be taught it is the want of gold as a thing of intrinsic value, the want of gold as a commodity, the want of the right to barter

by being in a position to give gold, or notes based on gold, or any commodity of equal value that gives you for your goods a something that will get you an equivalent anywhere. And the want of money, so much complained of, is caused by the want of goods to give in exchange for it. The only remedy is to "produce," and to get the power to purchase something that you want and another man has. It is useless to say these are mere prejudices in favor of gold and silver. I deny the right to affix the stigma of prejudice against the innate morality of the nation that decrees its money shall be *real* and *not* pretence. Paper may, by the signature of a good name, or by the stamp of the state, or in the shape of a note from a local bank of repute, or the bank of the nation, acquire a *local* value, and seem as precious to the unthinking mind as the gold it or they represent; but it must not be forgotten that this value is *only local*, and that the assumed value the paper passes for is upon the supposition that the *real money* is available at a certain date on the one hand, or on demand upon the other. Paper money may be as *useful* and be more *economical* for all purposes of internal commerce; and I admit that it is; but it is not money. The very best paper money extant is but a *promise to pay* money; therefore it is not available for foreign commerce. And the depression of trade arises not for want of, but because of, the fictitious money that has been used to develop trade beyond its legitimate compass; and the low prices are the result of producing a certain class of goods in excess of the demand for it, or the money available at the time for that particular commodity. It must not be forgotten that in the greatest crisis or panic that ever existed, there is,

always has been, as *much gold* as was really needed. The panic arises from so many people asking for gold *they really do not want*, and locking up *temporarily by their insane action* the money that is needed to meet demands and engagements made before the panic was contemplated; hence there is apparently a scarcity, but always money enough for those who have a right to it. The exceptionally high rate of interest for a brief period would affect no solvent firm, the panic does good service in making bankers and money-lenders cautious, and stops rotten houses, or houses trading on fictitious paper, accommodation bills, etc.; and the losses on forced sales are incurred by those who have been speculating beyond their position, by those who rely on smooth sailing, and who, in order to keep their vessels afloat, have to get rid of superfluous stock for what it will fetch, but whose losses may be traced, and should be attributed, to their want of judgment, and commercial and financial incapacity. The advocates of "paper" are right; all these panics arise from want of money; but it is from want of money that never ought to have been wanted. It is not wanted by the trade or business or financial establishments judiciously worked, but by those reckless schemers, financial and commercial, who have been distributing so freely "paper" broadcast, and with no *real value* behind. Yet we are asked to increase this fictitious instrument, as a means of preventing catastrophes brought about by it; like the Irishman, who, being told to take two pills, argued to himself that as by taking two pills he would be so much better, therefore if he took four he would be so much better still. There is no doubt that during the last fifty years

the producing capacity of the world has increased immensely ; but it is wrong to infer that because we quadruple the powers of production we necessarily require a *metallic currency* four times greater. This is a mistake. I tell Mr. Harvey that "paper money is the money of civilization" ; that our exchanges are effected without the use of gold ; that gold and silver are only wanted for change ; that 97 per cent. of the settlements are made by *checks ;* that by a system of book-keeping, exchange of goods for goods, value for value, is made by check from A to B, and the sum simply credited to B and debited to A ; no money passes. We want no fictitious paper money, but greater care that it be more jealously excluded for the future by our bankers. It is not the "convertibility" of our paper money that is at the bottom of panics ; it is an ignorance of money that is the cause. A better system of currency would lessen the effects of panics ; but panics and depressions are caused by departures from the genuine system, by an unnatural inflation, caused by the temporary substitution of paper, in the shape of bills, by a class of reckless, speculative traders, shippers, "foreign merchants" as they call themselves, who have been too freely helped by bankers, men of straw, who, if the venture does not pay, are not prepared to redeem the promises when due.

CURRENCY.

Currency—a region of mystery, that may be justly described as chaos. The word has been a bugbear at all times ; introduce it, you are voted a bore ; men fly from the subject, as though to obtain clear, definite, and intelligible knowledge thereof was a task exceeding the powers of the human intellect.

"There was no need," exclaimed recently an ex-Lord Mayor in the House of Commons, "to go into all the deeper quagmires of bank notes and such things, which no man could understand in this world, or, as he believed, in the next." Having a different opinion I have written this book, believing that not only is man easily able to understand what money, bank notes, bills, etc., are, but *that he ought to know* all about such important subjects. Currency is only an invention of man's, a contrivance devised for, and capable of being altered to suit the wants, and render an indispensable service to the practical life, of every civilized people. It is an insult to the Creator to imagine that man's reason cannot comprehend the action of an instrument, a machine invented by man himself, to perform a specific purpose; that he cannot understand the operations of a tool constructed at the dawn of civilization, and which has gradually been varied and its powers added to, according to the need of man's progress. Whether they will trouble themselves to study and master the subject or not remains to be seen; but this is certain, that it is of vital importance to the prosperity and happiness of every nation to solve correctly this currency question, as a bad or inadequate currency inflicts the most severe calamities on a nation; periods of loss and ruin, public and private, are inevitable, from an ill adapted, badly constructed currency. It seems incredible that men should be satisfied with using so important a tool as money, a tool that is in every man's hand, and yet never give a thought to the question—What money is, what it does; is it a good tool, can we have a better; or does our present currency do for us all money can do or we require it to do for us?

I have no doubt in my own mind that money might be made infinitely more useful to every living being if they properly understood what it is; and also as positively assert that it is a subject that can be easily and naturally explained, and be understandable by every one, if men only choose that it shall be.

Currency is that which is in circulation, or is given and taken as having value, or as representing property; as the *currency* of a country, a specie *currency;* coin, strictly speaking, generally called "money." The word is derived from Juno Moneta, whose temple was the mint in which Roman coin was made, the stamped pieces of metal which constituted the currency of Rome. Thus the word money implies minting; that is, the shaping and stamping those bits of metal which are employed in buying and selling. Barter was the fundamental basis of commercial transactions; bullion was an accessory, very costly, most convenient, indispensable in fact, among wealthy and civilized nations, where the consumers had so many wants; but, owing to the division of labor, each worker produced so little that was of use to himself, that simple barter soon became too cumbrous a process, and utterly impracticable for wholesale transactions, shopping, or retail business; so counters or "currency" coins, notes, bills, checks, were introduced as needed by society to facilitate the exchange of commodities in buying and selling, superseding barter, and gold became the basis of value, and was enthroned as a special, and has become to be regarded almost as a sacred, metal by nearly half the civilized world. As a basis of value there is no better medium than gold; its utility consists in its representing value in little bulk,

and it readily admits of the gains of life being reckoned and possessed in less cumbrous form than houses and land, herds of cattle, or ships and merchandise. So gold has become established as the metallic currency, as the form we recognize to represent all other forms of wealth ; and although as a metal for any purposes of utility almost worthless of itself, it derives its great value from the other kinds of property of which it has become the acknowledged representative. As a metal, its intrinsic value rests upon the difficulty in getting it ; the cost of conveying men to the distant gold countries, the cost of their living in a region where every thing is very dear owing to the distance from which it must be brought, and to the extra profit men require before they will go so far and suffer so much. Society pays dearly for its counters, a heavy price ; each ounce of gold represents so much labor withdrawn from agriculture and other industrial pursuits, which minister directly to the necessities and comforts of mankind.

We find by experience we cannot do without money ; that it is essential to have it, as buying and selling cannot be done without it ; that men generally take it in exchange for their labor, or their goods, or their houses ; that in exchange for it we can supply ourselves with all the comforts of life, the luxuries of modern times. Yet to prove it is only of value when recognized as such, we find that in China, India, Japan, Asia generally, the people repudiate the peculiar value we attach to the yellow metal, gold, and they exalt the shining white metal, silver, into a similar conventional importance ; whereas here, although we all take silver as we do gold, and accept it as being,—whether sixpence, shilling,

florin,—of proportionable value to gold, yet legally silver is not money here; that is, it is not a legal tender, and may be refused, save to the extent of forty shillings, in payment of a debt or in exchange for gold. Above forty shillings the law regards silver simply as bullion; it is no more money than it is a legal tender, a medium of exchange for debt or goods, than is brass or tin.

We laugh if a semi-civilized people propose to pay us for our goods in sea-shells, or some other form of non-metallic currency; we fail to see that the value of money, or the counter used as such, is the exchangeable power people give to it. These barbarians are equally averse to receive our gold and silver coins, which we have been taught to regard as the perfection of money; but the value is only in their power as and when they are recognized as a medium of exchange. These barbarous tribes prefer selling us their produce for beads and trinkets that we consider as of no value. You will therefore perceive that although we regard gold as all in all, fully one half of the civilized world do not, silver taking the highest place with them, whilst barbarous tribes refuse to accept as money either our gold or silver coins.

A few years ago, when the trade with Japan was opened, our merchants were surprised to find that the Japanese appraised gold very differently from us; so that a sovereign was only considered by them as equal to about one fourth of the quantity of silver which it represents with us. Half-a-dozen kinds of silver coin are current at Shanghai in China, five kinds of the dollar and the Indian rupee; but until 1855 the old Spanish Carolus dollar was the only legal tender; the Carolus

dollar was the one best known to the Chinese merchants, and the one in which they had most confidence; and to show what prejudice does, although the intrinsic value of the five dollars was the same, the old Carolus dollar was considered to be worth 7*s.*, whereas the others were barely worth 5*s.* This is an extreme case, but all people view with suspicion the money of other people. The English sovereign is taken on the Continent, but does not circulate there, no more than napoleons will circulate in England; being strange to the people, they are suspicious of them, and (as foreign coins are never a legal tender in any country) refuse to receive them as money.

Another fact not generally known here is, that silver, which we do not recognize as a legal tender beyond the sum of forty shillings, is the most widely recognized, and therefore holds the first place in the currency of the world. It is the standard money of China and of India, and is recognized as money all over Europe and America. It used to be the standard money of Europe, the English pound and the French livre originally consisting of a certain amount of silver; and at this day it still constitutes the greater portion of the currency of the Continent, and in many of the outlying and half-barbarous parts of the world silver will be accepted where gold coins would be refused. Gold, however, is steadily rising in monetary importance, owing to its greater portability, and there is every probability that gold will ultimately be supreme in the metallic currency of the civilized world. We have implicit confidence in it, and all of us feel when we get a sovereign, whether for our labor, or the sale of our goods, or in payment

of a debt, that it is worth the 20*s.* we give in exchange for it.

It would be very unwise to undermine this confidence in the power of gold coin, that it can only be had by giving for it full value in other goods. But this important consideration is too much overlooked, that to sell property, and receive for it money, gold coins, or notes with a right to receive gold coin, is no increase of riches, but merely an exchange of two articles of wealth of equal value, a precious metal for some other article. You have the coin, I have the property; if we can agree to sell the one for the other, well and good; but do not forget we are but making an exchange, and there is no increase in the nation's or world's riches by exchanging, but only in producing. An increase in the crop of tea increases the wealth of China, and increases ours, as we can buy more tea for the same money; but cheaper gold coin does not increase the national wealth, it only increases the nominal value of goods; that is, more gold has to be used in the exchange of goods; but there is no increase in real wealth, in the quantity of goods produced. We think we are richer, but we are not, as the *larger* quantity of gold only exchanges for the *lesser* quantity of goods, only does, in fact, the work of the smaller quantity of gold used in effecting the exchange heretofore. The common opinion is the other way, that as the object of all trade is to obtain money, the object of our foreign trade should be to export less than we import, and unless we receive gold to make the difference, there is no benefit therefrom; as if gold was more to be rejoiced over than raw material to manufacture the articles we require, but do not possess. People see that

all strive after gold, are all eager to part with what they have for gold, not for ornament, not to keep; it is got to be parted with, and is striven after, because it performs a service to its owner more readily than any other instrument he can obtain; it is the most useful tool that was ever made, and performs thoroughly for man the work for which it was made. It should not be left idle. If we do not want to use it, it will bring us interest by lending it to those who do; it is too costly a tool, too invaluable a machine, too productive an instrument to lie idle in our pockets; it does its work not by staying in its owner's hands, but by leaving them. No other conception of coin is rational or intelligible. It may be wise with money, as with other tools, to provide a stock of it beforehand, lest it may not be procurable when it is wanted for use; but the fact remains, that money is of no utility whatever except when employed as a tool; that is, except when it exercises its proper function by being got rid of in exchange for other property.

Gold and silver were used as media of exchange at a period long anterior to that when they appeared in the form of coin; our earliest record of primitive civilization, the Bible, informs us that gold and silver were used in lieu of direct barter as early as the time of Shem, and we learn that Abraham returned from Egypt "very rich in cattle, silver, and gold." But although a metallic medium of exchange, passing by *weight*, was adopted at a very early period, the use of actual coins, passing by *tale*—that is to say, by counting, the weight and purity of each piece guaranteed by the government of a state by means of a public seal or stamp of a sacred character,

was a later invention. How came coin to be introduced? From necessity. The need of a medium of exchange is one of the most urgent wants which beset humanity. The immense advantages of money were soon universally felt; and its value was so self-evident, that its origin came to be invested with a mystic character, and was by succeeding ages shrouded in fable; Saturn, Mercury, and other divinities, having successively received the credit of this important invention. To appreciate its value you have only to imagine for one moment society without its aid; buyers wanting to obtain certain goods, and the difficulty of obtaining sellers who would be willing to accept those which they have to offer in exchange. The tailor might starve before he found a baker who was in want of a coat. The separation of employment, the division of labor, is essential to social existence. No man can supply all his own wants; we all depend upon others for most of the articles we use and require. At the present time it needs one's undivided attention to excel in the making of special things; and the providing and distributing of the multitudinous things which human life requires employs an immense army of trained buyers and sellers. This giving to others what you have in order to obtain from them what you require, was an impossibility—a difficulty which must have been fatal to civilization. *Money, a medium of exchange*, was thought of; it was rude and simple at first, but the key was given, the social problem was solved; and subsequently the idea has been enlarged, and it is our duty to trace its origin, to know what money has been, what it is, if it is what it should be, and whether we can help to improve the vast benefits it confers upon mankind.

Barter or exchange between buyer and seller is of course the more simple operation, but it is not practicable; simple enough if you could always find some one willing to take what you have, and able to offer what you require in exchange thereof; but this not being possible, the difficulty is at once conquered by money. Barter your property for money, then take the money and get for it what you like and when you like. This is the action, as it is the essence, of "currency": it enables you to sell for "money," of such intrinsic value that it will obtain for you anywhere what you want, and when you want it. Your property might lie idle, will cost you money to warehouse it, will deteriorate in value; whereas the gold in exchange thereof, properly used or invested, will continue to grow and multiply. To its utility money owes its success. No law can compel, nor does our law command, traders to sell or give their goods in exchange for money; the law imposes on us the obligation of taking as a legal tender money for our debts, and sets the example by taking it for taxes; but, as Aristotle said, men "agreed" to take money in exchanging, and it is a matter of voluntary agreement to this day. With us there seems no difficulty in the matter; but until the seller knew that all other sellers would consent to do exactly the same thing—viz., give him their goods as readily for his money as he had given his goods for it—there must have been considerable difficulty, as no seller would be disposed to part with his property in exchange for coin unless he felt sure the money furnished him with the power to procure by its means property to the value of that which he had given for it. Money, to be valuable as a medium of exchange, must give this guaranty: a

seller must feel secure that he will get by a second purchase all that he gave away in the first. There must be value for value; and with a metallic currency, with a note issue convertible into gold, with bills of exchange, checks, all credits based upon the gold coin, traders part with their property without hesitation; all feeling a complete assurance that they get in exchange, in money, a commodity worth that which they are selling for it. So every one takes gold; it is felt to be an equal exchange of property for property. The value of the gold in the market enables it as the medium of exchange to command goods of equal value everywhere.

Money is a commodity; its value does not consist in its being stamped as coin by the mint. The mint coins an ounce of gold into £3 17*s.* 10½*d.* Here is the definition of a pound, and a pound is the meaning and worth of a sovereign. If a copper coin could be obtained from the miners only at the same cost as a gold one, they both would be equally valuable; but it cannot, and so the goldsmith will give a vast deal more for the gold coin than the coppersmith will for the copper one; and that is the very reason why every seller will give many more goods for the one than he will for the other. It is the intrinsic value of the metal, its cost as a commodity, which renders it so useful and valuable in doing its work as a coin, as the medium of exchange. The mint only makes known, on the word of the government, that the coined sovereign is made of standard gold, and possesses when it leaves the mint in full the prescribed weight; in the words of Aristotle, "impressing a stamp on money to relieve men of the trouble of measuring it."

Paper money plays the most important part in our currency; without it, the present commerce of the world would be impossible. Only a bit of paper, yet, having faith in it as a representative of value, it is taken as willingly as gold. Currency of every kind, everywhere, is essentially dependent upon man's faith in man, upon which all credit is based. Having faith we accept the shadow for the substance, and take the "representative of wealth," the "five-pound note," as if it were five golden sovereigns. Therefore, the currency, like "Cæsar's wife," must be above suspicion. Money is a reservoir of great power; it is condensed wealth, available at any moment, for any purpose. "If there were no currency, no conventional means for storing up the accumulated gains in an instantaneously negotiable form, how long would be the time, and how cumbrous the preparations, requisite to perform an expedition, to get up a railway company, or to accomplish any great object!"

GOLD MONEY.

Be men! rise above the savage worship of mere coin; do not continue to worship the image, but the living power it possesses when rightly used, wisely used as a medium of exchange. Do not hoard it, but give life to your gold, rub the canker off it, by sending it from hand to hand. "He best worships the God who made the heaven and the earth, and the sea, and the mines of iron and gold, by helping Him in His work with His own, and striving to learn to do His will with the use of them." Every thing has a mission; aye, especially

"Gold! Gold! Gold! Gold!
Good or bad a thousand-fold!
How widely its agencies vary,
To save, to ruin, to curse, to bless!"

—HOOD.

Alas! too true, the general practice is to give the credit to the money, and not to the man, nor as to how he has made it. Gold and gold, and nothing but gold, is thought of. So the vices and virtues are written in a language the world cannot construe, but it reads them in a vile translation, and the translators are failure and success. Oh, for the day when the world will only make of heroes to worship and imitate, the truly great—those who are so, not with what fortune can give the base, but with deed and ends of which, for the great, fortune is but the instrument. And so in time our youth may be trained to perceive that the true ambition of a man is his desire for the wisdom to be able to wield properly the power wealth, when earned or inherited, puts into his hands.

Do not be impatient, my friend; my moralizings are at an end, and we will begin at once about gold, that yellow substance all civilized men so eagerly seek after—for which, in their mad desire to obtain, men flocked to the gold-fields in feverish haste, although disease, like the fabled dragons and griffins of old, kept horrid sentry over the buried treasures. A peculiar fever, of the typhoid character, was that natural denizen of the spot; besides which, the gold seekers suffered severely from eye-blight, owing to the concentrated blaze of the sunshine reflected from the steep sides of the ravine, and they were at all times grievously tormented by clouds of flies. Bad diet and want of

vegetables aggravated the diseases natural to the places and to the kind of work. It was a valley of death. "Constitutions that had borne the hardships of other fields broke down here," wrote an eye-witness of the scene; "and hundreds have perished, dying unattended and unknown." The little levels between the stream and the base of the mountain wall for ten miles along the valley are so thickly studded with graves that the river appears to run through a churchyard." One new-comer, wiser than the rest, having counted eleven corpses carried past his tent during the dinner hour of his first working day, and thinking that even gold may be purchased too dearly, left the place instantly. Many abandoned it after a somewhat longer trial. But the greater number, fascinated by the unusual richness of the gold-bed, remained in defiance of disease, and "took their chance," with what result the numerous graves of the valley testify to this day. It was a scene "to point a moral or adorn a tale." Had some wandering spirit from another planet looked down upon the valley of death, or upon the many other striking incidents of the gold-fever of the last fifteen years; if he had seen men in myriads rushing across oceans and continents to the gold-fields of California and Australia, waste places in the uttermost parts of the earth; if he had beheld them toiling in the gulches of the mountains, amidst all manner of hardship and disease, beset with extremes of weather, exhausting work, exorbitant prices, and lawless society—he must have said to himself: "Surely mankind have some mighty end in view, when so many myriads come here to toil and suffer with such feverish energy and extraordinary endurance." Yet the yellow substance which these crowds

so eagerly seek after, what could it do for them? They could not eat it or drink it; it was neither food, medicine, nor clothing; it was simply a metal of unusual weight and ductility, and exhibiting a yellow lustre. And were this wandering spirit to show a piece of the yellow metal to one of the natives of the country, and ask its use, the savage would tell him that it served to make rings for wearing in the nose and ears, or on other parts of the body, by way of ornament, but otherwise of no account; it could neither head an axe for him, nor point a spear. In fine, were this planetary sage, following the track of the gold ships, to proceed to Europe, and the abodes of civilization, to see what is made of the metal which men seek for with so much eagerness, he would find that the getting of it is so expensive that (unlike iron and lead) it is of no use in the necessary commodities of life, and only figures as a costly means of ornamental decoration. He would find it, in fact, so far as the arts of life are concerned, closely allied in character to gems and precious stones, the exorbitant prices given for which show how much barbarism still lurks under the cloak of civilization.

But this inquiring spirit would also see another side to the question. Were he to go into our banks, our market-places, our counting-houses, he would speedily comprehend the object for which we mortals seek gold and prize it so much. If he were to visit the great emporium in Threadneedle Street, with its busy throng of customers ceaselessly depositing or withdrawing the yellow metal, and thereafter were to watch for half an hour the gay crowds who go a-shopping in Regent Street, he would see that this metal is the recognized symbol of property with

which we can convert our wealth, whether it be of land, houses, or merchandise, storing it up in little space, and which we can reconvert into any kind of property at pleasure. He would see that by common consent nearly one half of the entire civilized population of the earth take this view of the matter, and have made the yellow metal indispensable to them, by decreeing it to be the substance out of which shall be made the counters with which men buy and sell, and reckon up the gains of material existence. (From "Economy of Capital," R. H. Patterson.)

Gold is not simply an expression of value. It does not mean that the gold sovereign merely represents 20*s.*, but that it represents a certain definite quantity of gold. The value of gold is £3 17*s.* 10½*d.* an ounce, and the sovereign is of the intrinsic value of £1 because it contains about a quarter of an ounce of gold. Gold differs from silver coinage, the latter being only three fourths of the weight it represents in money value—that is, the silver coin circulates for one fourth more than its real value. So again copper coins pass current for more than three times what they are worth intrinsically. Silver and copper coins, therefore, are "tokens" of value, but are not actually worth the sum they respectively represent; and for that reason it is not legal to tender more than 40*s.* in silver or 1*s.* in copper coin in payment of a debt. Gold, on the other hand, has an intrinsic value independent of its nominal value, and the advantage of this is that although all men make use of tokens at home, we could not make use of tokens in our dealings with foreign nations; so, having large payments to make to foreigners, the only medium we can use for that purpose is gold.

In 1847, what with our bad crop of grain and the failure of the potato crop in Ireland, the government, to avert a famine, entered into large engagements for the importation of grain of all kinds, and from all parts of the world. Wherever there was grain to be got, it was bought up by the government, as well as by the merchants who imported it in the ordinary course of their trade. To carry out these large operations needed in gold £20,000,000 more than the ordinary amount, and this gold had to be taken from the coffers of the Bank of England, and was sent to America, Russia, and Prussia in payment for the extraordinary purchases of corn. Such was the intensity of the emergency, it roused our commercial activity, and although the Baltic was closed, gold was sent by trusty messengers to Russia, Poland, and elsewhere to buy up wheat and barley, in order to save the people of England and Ireland from starvation. It is obvious that if we had not had that reserve of gold in the Bank of England, if we had not had in hand something that would be acceptable to all the rest of the world, we should have been wholly without resources to meet such an emergency; and we thus see the advantage of gold in commercial operations with other countries; in fact, it ought to be used solely as the medium of exchange with foreign countries. As it is acceptable all over the world, it is a universal medium of exchange; thus gold is very useful, nay, essential for foreign trade, and should always be here ready to meet the balance against us in dealing with foreign countries. When we import more than we export, we send out gold to pay the difference; when the demand for our manufactures is active, or we have a good harvest and do not need to buy so much corn from

abroad, then the foreign countries have to pay us the balance in gold; and London being the chief monetary centre, gold comes in from all parts of the world.

Everybody will take gold at its intrinsic value, and wherever you may be, or whatever you may need to buy, the purchase can be made anywhere with gold. Its power is so great, we can scarcely wonder that the desire, the thirst for it, becomes as absorbing as the thirst for alcohol by the drunkard, or that it has led to such crimes in all ages to obtain it. Gold's hunger gives to the face a strange fascination; in the eagerness for it, pain and weariness are forgotten. The craving desire for gold has a wonderful influence upon the face and action of the body. Watch the keen look of a trader, or any man debased to the sordid level, and see how near his face is to the cunning look of the monkey, and how the desire for gain has degraded the image of his manhood. Better poverty than wealth if it can only be obtained by such a selling of the soul, such a forfeiture of our dignity as men, such a levelling of our higher natures to that of savages and animals, such a sacrifice of all the higher pleasures of our natures to the one insatiable desire of gain.

Wealth is more often a curse than a blessing. I have known men happy and contented whilst poor, seen them bravely struggle through adversity and difficulty, and seen them miserable with wealth, begrudging parting with the money they have got to love too well, seen their brains turn and their minds lose their balance with the thought of its leaving them, and committing suicide to escape from imaginary evils, the effect of their disordered minds, through yielding to the one absorbing

idea of increasing yearly their stock of gold, to leave behind them to their children, and too often ruin *their* nature. Wealth is a hindrance rather than a help to young men in this life's work ; it takes away the motive, the stimulus, to exertion, the desire to succeed, which in the majority of cases means the desire to make money.

To remedy this, the education of our youth of both sexes must embrace the fullest knowledge of the laws of life and the duties of home. They want broader views and issues brought before their mental horizons. At the earliest period the child must be taught to regard the body as the shrine of the soul, to be kept as a sacred trust for their Creator, unsullied and inviolate. This would naturally follow if he were taught the minutest details of that wondrous machine, the human body, with its delicate tissues, its processes, its powers. Let the young be taught this first idea of their Maker from that wonderful creation, the human body and soul—a creation so beautifully adapted by its Creator to give pleasures if well treated, and so much pain if neglected and dishonored. Having taught him the meaning of the life that is in him, follow it up with giving an object in life in the future that is before him ; tell him of the faculties and powers that are entrusted to him ; give his life a significance, an aim ; and by this means, and this only, will money cease to be an "end," and become, what it should be to all of us, a " means " only to the higher ends in view.

SILVER MONEY.

The price of silver had been undergoing a slow decline for some years, but in 1876 this suddenly culmi-

nated in a fall of prices within a few months from 56⅛*d.* to 48¼*d.* an ounce; the whole fall in four years representing a depreciation of more than 20 per cent. in the value of the metal, measured in gold. The effect of this fall in silver will be best understood if you imagine gold, the basis of our currency, to be suddenly reduced in value *one fifth.* The fall in silver has this effect upon India, as silver is to that country what gold is to ours—the basis of its currency. Here we sell and reckon by the gold sovereign, there they sell and reckon by the silver rupee. So that in 1876, when silver fell to about 48*d.* an ounce, the value of the rupee, expressed in gold, instead of being 2*s.* was reduced to less than 1*s.* 7*d.* Think of your sovereign being reduced in value to 15*s.* 10*d.* In July, 1887, the price was 44*d.* per ounce, so that the rupee and our florin are only really worth 16*d.*

One of the principal causes of the depreciation in the value of silver is the large additional supply of silver yielded by the Nevada mines in recent years. In 1875 the aggregate production of silver throughout the world is estimated to have been about £15,000,000; more than half this amount, £8,000,000, being obtained from American mines. Twenty years previously, namely, between 1852 and 1862, the average annual production was only from £8,000,000 to £9,000,000, and at that time no appreciable quantity came from the United States. Simultaneously with this large increase in the supply of silver many circumstances occurred which greatly diminished the demand for silver. Silver was demonetized in Germany; and Germany consequently not only ceased to require the large amount of silver which she had previously used for coinage, but a great

portion of the silver in circulation was withdrawn and sold by the German government. Another circumstance which has produced a very important effect in diminishing the demand for silver is the great increase in recent years in the Indian home charges. The value of the products exported from India has always been in excess of the value of those imported. Until quite lately the balance was liquidated by transmitting silver to India. In some years the silver thus sent amounted to more than £10,000,000. Such a transmission of silver constituted one of the chief sources of the demand for silver, and was indeed one of the most important factors in maintaining its value. Each addition, however, that is made to the home charges diminishes *pro tanto* this demand for silver. An English merchant, for instance, who has purchased a hundred thousand pounds' worth of Indian produce, instead of sending silver to India to pay for it, purchases bills from the Indian government in England drawn upon the Indian government in Calcutta, and the amount of bills which the government has to sell in England increases, of course, with each increase in the home charges; and a powerful effect is being exerted at the present time in depreciating the value of silver by the large amount of bills which have to be sold by the Indian government in England to provide for the home charges. The amount of the home charges has increased to a most serious extent in recent years. Nothing, moreover, can avert a still further increase, if the expenditure is permitted so habitually to exceed the revenue that money has to be borrowed to make good the deficit. The loans being chiefly raised in England, it is obvious that the interest on these loans

represents so much more which has to be transmitted from India to England, or, in other words, so much added to the home charges. The largest portion of the money which has been borrowed in recent years by the Indian government has been obtained by loans raised in England; and the additional amount which has to be provided to meet the interest on these loans represents, of course, so much added to the home charges. In 1856 the sum annually required to pay the interest on the Indian debt was £2,190,000, in 1870–71 it was £3,200,000, and in 1876–77 it was £4,350,000. From these figures it appears that in twenty years the indebtedness of India increased by about 100 per cent.

The depreciation in the value of silver is a very serious matter. In 1874–5 the loss by exchange to the Indian government was only £500,000, in 1876–7 the loss was £1,676,482, in 1878–9 the loss was nearly £3,500,000. In 1886 the method of charging exchange in the Indian accounts was modified, and it may, therefore, be well to give the figures for the past years on the new system. The following are those which should be adopted for comparison with the charge in recent years:

YEAR.	NET CHARGE FOR EXCHANGE. Tens of Rupees.	YEAR.	NET CHARGE FOR EXCHANGE. Tens of Rupees.
1875–6	. . 1,377,428	1882–3	. . 3,050,923
1876–7	. . 2,252,611	1883–4	. . 3,375,158
1877–8	. . 2,123,030	1884–5	. . 3,363,986
1878–9	. . 2,891,902	1885–6	. . 4,329,888
1879–80	. . 2,878,169	*1886–7	. . 5,252,600
1880–81	. . 2,264,848	†1887–8	. . 5,434,800
1881–2	. . 2,421,499		

* Revised Estimate. † Budget Estimate.

The government are also heavy losers by the land, as the revenue therefrom is a *fixed sum to be paid in silver*, and the depreciation means receiving about one fourth less rent until present engagements expire. The next class to suffer are all those with fixed incomes, the rupee purchasing so much less in 1887 than it did fifteen or twenty years ago.

The position of the Indian government is this: it has contracted various engagements to make payments in England in gold, for the interest of its public debt, and on the capital of its guaranteed railways, for the pensions of its retired civil and military servants, for its share of the home charges of the European troops serving in India, for the supply of military equipments, the purchase of stores, the cost of the establishment of the India office, and so forth, to the amount of about seventeen millions sterling a year; and since the revenues of India are collected in silver, these engagements involve that its government must purchase gold to this amount out of the income which it receives in silver. The nature of the operation is to a certain extent disguised by the mode in which it is affected, through the agency of private trade. The commodities exported from India are largely in excess of imports into that country: a state of things, it may here be observed, which is partly the consequence of these home charges; and the exporting merchants, instead of shipping silver bullion to India to pay for the excess, purchase the bills which the Indian council sell for gold in the London market, and which are payable in silver at the treasuries in India. The amount of these bills sold in the year 1879 was seventeen millions sterling; and the effect of the arrangement, so

far as the revenues of India are concerned, is precisely the same as if the government of that country were actually to remit the silver to England and exchange it for its equivalent amount of gold. It follows that the charge on the revenues of India in respect of these payments will fluctuate with the price of silver as expressed in gold. So long as silver was worth about 61*d.* per ounce —its average price for many years—the rupee was worth almost exactly one tenth of a pound, and to purchase seventeen millions sterling required the remittance of 170,000,000 rupees; but when silver fell to about 48*d.* per ounce, instead of 170,000,000 rupees being sufficient, 216,000,000 would be required; the difference, 46,000,000 rupees, representing an extra charge on the Indian revenues of more than three and a half millions sterling, because the government of India receives its revenues in silver, and has to make very large payments annually in gold. According to the form adopted in the accounts, the rupee is taken at 2*s.*, but, if its value in India is 1*s.* 7*d.*, a very much larger number of rupees is wanted to meet the payments in England. This is called the "loss of exchange," caused generally by transmitting money from one country to another; but in this case, principally through the government receiving its *revenues in one metal* and *making its payments in another*, as in taking the rupee at 1*s.* 7*d.* instead of 2*s.* here, we only do so because of the depreciated value of silver in relation to gold. As a proof that it is simply a loss for want of arrangement, we have the fact of a "gain of exchange" in the past, because the government of India in its transactions with the guaranteed railway companies have fixed the remittance at 1*s.* 10*d.* per rupee under the contracts.

The price is continually fluctuating, the rupee now being only worth about 16*d.* This causes great loss to merchants, not only from the absolute fall, but in the uncertainty which these fluctuations in price throw over all the operations of trade; and although it has been going on for over ten years, nothing has been done to remedy it. There is no reason why the currency should be altered, but a *mixed currency*, or the government at least offering to take gold as well as silver for rent and taxes, would counteract, so far as the government actually is concerned, these constant fluctuations in the value of silver, and thereby lessen the cost to the government, and save the Indian trade from its speculative character, which is so thoroughly demoralizing in its tendency.

There is one cause for the evil, a removable cause; why not remove it? It is the English government's interference with the natural operations of trade, by coming into the market, and selling its bills on India for enormous amounts by auction to the highest bidder. Instead of the secretary of state selling such large amounts of council bills at fixed times, *whether wanted or not*, let the same be always obtainable at a certain price, at some government office. Let the secretary of state act like any other exchange banker, and sell from day to day, meeting demand as it arises. There could not be a more stupid plan than the present—forcing the sale of a valuable article at times when not wanted, or the market is overstocked, to the highest bidder, simply because he has decided to sell so much in one year, at so much per week. Trade will take these drafts at a fair price if government will wait till they are wanted, instead of the present reckless manner by which these bills are dealt

with, the victim of speculators, and the buffet of the exchange banks. The obligation cannot be wiped out; the seventeen millions of tribute from India to England must be paid. But the mode of payment may be altered; and the easiest plan is to arrange that the revenues of India, instead of, as now, being collected in silver, whilst the Indian government is subject to a heavy loss, and trade is interfered with, because it receives in one metal and has contracted to pay in another, is either to contract to pay in the metal it receives, or to receive its revenues in the metal it has to pay its liabilities with.

Currency is an invention of man's, and it is the duty of every state to try for the soundest and most useful system that man's intelligence can supply. We are not beginning *de novo;* we have had centuries of experience to guide us. Silver was the first standard of value in England; then we had gold and silver; and in 1816 we decided in favor of gold. Now we are asked to use again both silver and gold—bi-metallism instead of mono-metallism. The reason assigned is, that there is a deficiency of money, thereby causing an undue *appreciation* of gold, or a great *depreciation* in the value of all other commodities.

Supply and demand is the law that regulates prices. By monetizing silver, the demand for it is greatly increased, and the price would be enhanced, but it would be a loss to the community, for the benefit of the present owners of silver. For example, silver, regulated by supply and demand, is now worth 3*s.* 8*d.* per ounce; but used as coin, it passes as if worth 5*s.* 2*d.* per ounce, with 4*d.* per ounce added for seignorage. Silver, however, is only a legal tender up to 40*s.*; is it wise to increase the

circulation of silver coins, so that the owners of silver get for 3*s.* 8*d.* goods to the value of 5*s.*? But, it is argued, you fix the price of gold; why not legally fix the price of silver? The reply is obvious. We must have a medium of exchange. It is a costly instrument; but why have "*two*" expensive tools, when "one" is sufficient for the operation? Is gold equal to our necessities? Yes, undoubtedly. According to Mulhall, the stock of gold, coined and uncoined, in the world in 1850 was 630 millions sterling, and in 1885, 1,504 millions; an increase of 874 millions in thirty-five years. The imports and exports increased from 771 millions in 1850 to 2,953 millions in 1884, so that the world was able to do 2,182 millions more trade with only 874 millions more gold—a proof that trade expands from other reasons than an increase of the currency. But, it is said, this deficiency means dearer gold or cheaper goods. If the price of goods depends upon the supply of gold, why did wool advance 50 to 60 per cent. in the summer of 1886? As a matter of fact, there was no difference in the supply or value of gold, but an increased demand for wool, and the price rose according to the law of supply and demand.

By the inevitable action of nature's law of supply and demand, if of late years there has been a scarcity of currency to carry on our trade with, money, owing to the supply not being equal to the demand, would have been more difficult to obtain, and, therefore, a higher price asked for its use. Has this been the case? No; money has been getting cheaper. The average rate of discount in Great Britain for 1851–60 was 4.17 per cent.; 1861–70, 4.23; 1871–80, 3.28 per cent.; the

average value for 1881–90 will be under 3 per cent. Why is this? Because of the fact that "the quantity of coin necessary to any country depends on neither population nor trade." In Great Britain £4 per inhabitant is enough, but in France they require £8. Two of the poorest countries in Europe—namely, Spain and Portugal—have the largest amount of metallic money compared to their commerce. To do without the vulgar idea of money—metallic coin—is evidence of civilization; in London, 99 per cent. of the daily payments is made by checks. The clearing-house returns for London for 1881–4 average 26 millions sterling per day, all done by paper, gold not being wanted; what necessity is there for silver?

PAPER MONEY, BANK NOTES, CHECKS.

Bank notes were invented to perform the same work as coin; but let me impress upon you that coin alone is currency, and that the use of bank notes is to supplement the action of, *to represent* coin; the same being taken upon the distinct understanding that the Bank of England and other banks that issue notes will convert the same into gold for the holder when asked to do so, is one thing; but treating bank notes even of the Bank of England as currency, *as coin itself*, is another matter altogether.

Paper money is useful for home purposes, being convenient and economical; an addition to the circulating medium that the world could not do without to effect its present bulk of exchanges, the work of distribution; but the people must *not* forget that it is but *paper*, cancels

no debt, effects no real transfer of property,—as it is not *money*, but only a *promise to pay money*, and, until cashed by the banker, of no more intrinsic value than the paper it is written on.

So you will please confine currency to coin, and always treat of paper as paper money—a most useful instrument for making transfers and exchanges, but of no real intrinsic value until you have obtained for it *currency coin* of the value it represents; next in importance, but not equal, to the coin itself. Both act as money when they are kept by, and stay in the hands of, the public.

How few people properly appreciate the value of checks, the most important species of "paper money" ever introduced—the money of intelligence, the indication of civilization! It is the general impression that "bankers" are dealers in money; but an ordinary banker does not deal in money, in cash, in sovereigns, and bank notes. Sir John Lubbock gave an analysis of a sum of £19,000,000 paid into his bank: it was composed of:

Checks and bills	£18,395,000
Notes	487,000
Coins	118,000
	£19,000,000

You will perceive that "three per cent." only of the whole amount was paid in cash, and only "one half per cent.," or one in every £200, paid in in coin. "Money" —metallic money,—therefore, forms but a very small item in a banker's daily transactions; 97 per cent. of his daily receipts being composed of *checks and bills*. A more convincing proof of the value of "system" it would be impossible to find than "banking" and the "clearing-house." Banking does away with the neces-

sity for "coined money." A has money, or an amount to his "credit," at the London and Westminster Bank; B has the same at the Union Bank. A owes C a sum of money, he pays it by a check on his banker; B owes D a sum of money, he pays it in the same manner. The amounts are simply transferred from "one banker's ledger to another"; so that banking is really an institution for the collection of debts, in the shape of bills, checks, dividend warrants, coupons. The people hand to their banker their claims to collect, and these claims are sent in daily to the clearing-house by the different bankers. The clerks there ascertain the value of the claims sent in by one banker, and the value of those sent in by the other banker against him; a balance is struck, and the banker who has to pay a balance gives a check for it upon the Bank of England. The following figures give the totals of the "clearing-house" for the first six months of 1878 and 1879, and furnish the most unmistakable evidence of the value of thought and method in human affairs. Please remember, by this method these figures prove that debts were collected in six months of the value of "two thousand five hundred and sixty *millions* one hundred and twenty-six thousand pounds," by means of checks and bills, not a note or gold coin being wanted for the settlement; "it was simply a transfer" of debts from one banker's ledger to another, for the following gigantic totals:

1878.		1879.	
January	£448,480,000	January	£421,892,000
February	407,607,000	February	369,584,000
March	442,887,000	March	402,752,000
April	412,348,000	April	409,767,000
May	428,052,000	May	432,779,000
June	420,752,000	June	384,390,000
	£2,560,126,000		£2,421,164,000

The above is a proof of my assertion that the subject of "money" is not understood. We hear daily of money being abundant or scarce; whereas money—that is, gold, sovereigns, notes—varies very little indeed. What should be told to the people is, that "checks" are abundant or scarce. The fact is always overlooked that borrowing and lending, buying and selling, takes place by an exchange of debts. A banker receiving many bills and checks to collect will lend freely, and at a low rate; but if more bills and checks are drawn upon him than are sent in for him to collect, he is less willing to lend, raises difficulties, asks a higher rate of discount, does all he can to check the demand, and, by increasing the rate of interest he allows to depositors, tries to increase his supply.

At present a banker thinks only of gold to replenish his reserves; he does not see that the reserve dwindles away, because the receipts which feed it are diminishing; he overlooks the fact that gold figures for only "one two-hundredth part" in the daily returns, and, therefore, that its variation in the total receipts is not the cause of his inability to lend at one time less freely than at another. Trade being good, should make no difference. What does it matter if the "clearing-house" return be 100 or 200 millions per week? No more gold is needed for the settlement of business transactions represented by the larger than for the smaller sum. Bad times can only be remedied by increased production; a banker's reserve can only be legitimately increased by his connection increasing, or by his customers increasing their means. The American war caused the people to produce less; they bought less. With every diminution of trade,

there is a corresponding diminution of profit. A banker's resources dwindle away, he receives less, the demands upon him are greater than the sums given him to collect; he has to sell or call in loans upon securities; and there is a cry that gold is getting scarce. But whilst the merchants and the bankers are in agonies about gold, it is not gold that fails, but, as Adam Smith long ago remarked, "the means wherewith to buy it." It is not gold but capital which is in disorder. In the worst crises gold is always to be had, but not the loan of gold. Loans are dearer, but gold remains stationary in value. Outside the financial world, the buying power of gold in relation to land and property continues unchanged. You may say that the prices of commodities fall during a crisis, but then that happens because so many have become suddenly poorer, and can no longer afford to consume and buy as freely or recklessly as before; or because the dealers in these commodities are obliged to make concessions in order to force sales, owing to their want of judgment in buying too largely in proportion to their capital, and being, therefore, compelled to get the capital of others even at a great loss. But "currency" has nothing to do with this. The panic under our present system must be referred to "capital" and "business" capacity, trading as though experience had not shown that in times of panic a large number of the people desire to keep their money in their own hands, and are not disposed to leave it in the hands of bankers for the use of traders as heretofore.

What is wanted is a system that will abolish this want of confidence at certain periods. The people must be taught how valuable "bankers" are; a machine of

superlative cheapness and efficiency, as it bears also the most decisive evidence to the public order, the sense of security, the supremacy of law, and the intelligence of the society in which it is freely used. In combination with the clearing-house, it dispenses with gold and paper currency almost entirely. Within its own sphere the "check" buys and sells with equal facility with the sovereign; it does the work of the precious metals, is a more secure method of payment, and brings in a large amount of revenue. Its power is immense; and instead of watching so closely the movements of gold and notes, the people, aye, and bankers also, should watch more closely the "clearing-house returns." It is the fluctuation in the "checks" they have to notice, and which indicates so unmistakably the state of trade; it is the "check" which brings the riches within the portals of the banker, and the "check" is the instrument on whose wings it takes its flight therefrom. The barometer of the commercial atmosphere is the "clearing-house" daily returns; the rising flood of checks is a sign of the activity which is the usual indication of the profitableness of business, as its ebb too surely announces the drooping resources of commerce. Great is the "note," but far greater yet is the check. It is the "check" which constitutes the resources of the banker; and it is the "check"—that mighty potentate—that orders him to pay, which in times of panic threatens and often accomplishes his downfall. In the *Sartor* of June, 1871, I suggested that the post-office should issue "checks" made out in duplicate by the copying process, all payable to order, and all crossed "and Co.," all lettered Ln. for London, Mr. for Manchester, and numbered consecu-

tively for each town. The postmaster would only have to fill in name of payee, and send up duplicates daily to head office, where all post-office checks would be payable to bankers only. The checks to be issued at risk of payer, commission being "one penny" for sums not exceeding 40*s.*, "twopence" for sums over 40*s.* and not exceeding £5, "threepence" for over £5 and not exceeding £10. That this view is practicable is proved by the fact that in the analysis for May 8, 1876, in eleven large towns more than two thirds of the money orders were paid to bankers, and in 1875 the orders paid at the chief office to bankers were £2,039,775, and to the public only £125,918. We are told by the authorities that the minimum cost of a money order, whether for 5*s.* or £10, is the same—"threepence." They make this out by saying that 1*d.* is paid for every order issued, and 1*d.* for every order paid. Now, if two thirds of the orders are paid at the chief office through bankers, and two millions, or one eighth, are paid to bankers at the chief office in London, I want to know if the different offices are credited with 1*d.* on each of these orders, the same as if each had been presented at the respective office and paid separately by each postmaster.

My object was to introduce a less costly method than "money orders" for transmission of money by post. This idea was adopted by the "Check Bank"; but the checks of any banker would not remain so long in the hands of the public as those of the post-office, which might be made a legal tender like the Bank of England or "national notes." Dr. Lloyd Fowle, September 10, 1878, submitted as "original" a similar plan to Lord John Manners; and Mr. Edward S. Norris writes in

favor of "post-office checks" to the *Times*, September 19, 1879, and intimates that in 1875 he adopted the idea; but as in 1871 it was brought by me before the public, the honor is due to me. The "postal note," submitted to the "post-office committee" in 1877, was attributed to Mr. Chetwynd; but Mr. Charles Green, editor of the *Sartor*, submitted to the Chancellor of the Exchequer, June 1, 1871, "that the post-office should issue a series of notes of different values, capable by their combination of representing any required sum, except odd pence, for which stamps could be used; that these notes should be made of the strongest material, and present bold, easily recognized features; that they should be obtainable at any post-office without charge." Mr. Green assumes that "post-office notes" would remain in circulation, and be an addition to our medium of exchange, and that the post-office authorities would gain (after allowing for the cost of management) £500,000 per year. But Mr. Green overlooks the fact, that only so much money as is needed for "change" remains in the hands of the public. Our present currency is adequate for supplying us with sufficient of the "medium of exchange." One note, the "national note," is all we require or should have, and if issued for 20*s.* and 40*s.*, with "postal checks" for 10*s.*, 15*s.*, and 20*s.*, stamped with the usual penny stamp, we should get what we require,—a safe and economical method for the transmission of money by the post; the checks to be paid into banks, and the total daily credited to the bankers, and debited to the Postmaster-General's account at the Bank of England. Money-order telegrams are also much needed. "G. P." in a letter to the *Times*, Oct. 6, 1878, mentions

that in France it is possible to authorize by telegram the payment at a distant office of a certain sum of money to a specified individual, and he asks why the same facilities are not afforded to us in England. As far back as 1870 Mr. Platt brought this matter before the Secretary of the Post-Office, and his letters, advocating money-order telegrams, have been inserted in the trade journals, and also in the *Echo* of January 21, 1871, October 6, 1871, September 28, 1872, and March 17, 1875; and if the system can be carried out in France, why not in England?

"Sixpenny telegrams" are also much needed for messages not exceeding ten words; and this and the other matters would have been granted but for that bugbear "impossibility," with which they met the late Sir Rowland Hill's idea of "penny postage," and have opposed all subsequent reforms.

> "With caution judge of possibility;
> Things *thought* unlikely, e'en impossible,
> Experience often shows us to be true."
>
> SHAKESPEARE.

There should be no distinction between a spurious bank note, a forged bill, and a check given when there are no funds of the drawer at the banker's to pay it. Each method is adopted to obtain "goods by false pretences." It is absurd to tell a tradesman that, as he can refuse to take checks in payment, the law can only regard it as a credit transaction "deferred, not actual payment as with coin at the time of purchase." The law may be right logically,—the trader ought to know that the check is but a "promise to pay," with no date when specified; but

practically a tradesman parts with his goods in exchange for the check, upon the assumption that the drawer has given him an order to go and get the value for it; and as upon the faith of the order to receive so much money, he has parted with his goods, the law ought to protect the victim, and not the thief; the check being taken as a substitute for, but representing "money," as an order for payment that can be made *at once*. A "bank note" is really a check—a banker's order upon himself,—with this important distinction, that it "circulates," whereas a check of Rothschild's is presented for payment because it will not. But still all notes are "checks," and this is another proof that "currency" is not understood, and must be considered as "not understood" until people recognize the fact that "bankers' notes," even though of the Bank of England, are merely "checks," promises to pay, drawn by a banker upon himself. Yet in the height of the greatest panic, when bankers are trembling for fear of not meeting their liabilities; when we hear such harrowing accounts of the scarcity of "money"; that money is not to be had at any price; yet the people are so little in want of the "money" which they are raving for like wild beasts, that, not knowing what money is, they eagerly take "bank notes." In 1826, when there was hardly a sovereign in the bank, the public readily accepted even old £1 notes, which had been withdrawn from circulation, and which had *not been* a *legal tender* for four years before, yet they took them and hoarded them, forgetting they were but bits of paper, and that at all times a banker's engagement to his notes is identical with that which binds him to any check from a depositor. Both are payable on presenta-

tion, when the holder chooses to make his demand; the only difference is, the greater probability of the one being presented rather than the other. Comprehend this, and you will perceive the importance of the currency laws being altered so as to increase this probability; nay, make it a certainty that the "note" will not be presented; also, that bankers may feel secure that they can, if they have the requisite securities, obtain "notes" enough to honor all checks that may be presented. The mint guarantees the genuineness of the sovereign. The government should have an office for the issue of notes to bankers upon their depositing securities for the repayment of the debts of issue to the public. Notes might be, would be, generally used, if issued for one pound, two pounds, etc. Notes are not money; true, no more are checks, which, I have shown to you, take so well the place of money. Checks, however, cannot act as "money"; it is not their province to "circulate," they are intended to make one payment, and no more; but notes are used for a number of exchanges before being sent in for payment, and ceasing to exist. Notes act like coin, are taken the same as coin, go from hand to hand, are kept in pocket or desk till needed like other money, are as familiar to all of us as the sovereign; in many respects are superior to the sovereign, being lighter, more easily carried, the best possible money to be had; and if my suggestions were adopted, we should be able at all times to obtain "all the money" we need. In reply to those who dread "too many notes being issued" if paper money were more generally adopted, this cannot be with "convertible notes." With notes as with coin, as Mr. Bonamy Price says: "So many bank notes as the

public want and can use will circulate, and no more. Neither the bankers, nor the Parliament, nor the law, nor the need of borrowers, nor any other power but the wants and conveniences of the public, the number and amount of the specific payments in which bank notes are used, can determine how many convertible bank notes will remain in circulation, and not be returned upon the hands of the banker for payment. 'This is the truth of truths in currency.'"

Checks are not currency, do not run, since the recent decision less so than formerly, as it is dangerous to use checks as money; they were never intended as such, being simply an order from the drawer to his banker to pay a specified sum to A B or the bearer, and now generally by all prudent men are marked as soon as they receive them, *not negotiable.* They should be paid into the bank to have the transfer made, or be cashed as soon as possible. A bill of exchange is slightly more current; as it passes, like other tools of exchange, through a few hands by being endorsed; but its run is limited, as it has a fixed day for payment. Checks and bills need care—we do not take them from strangers; hence they are not money in the popular sense, not being things like bank notes, or gold, that every one takes as a matter of course. It is to be regretted that bank notes, checks, bills, are called money. Even Mr. Bagehot, in his "Lombard Street,"—written expressly to explain the money market as being as concrete and real as any thing else capable of being described in as plain words, so that it is the writer's fault if what he says is not clear,—gives six different meanings to the word "money"; whereas coin, metallic coin alone, is true money, and every kind of

paper money extant is but an order to A B to pay money, or a promise by B A to pay money. Its value is in the order or promise ; and an order or promise is not the thing itself,—the thing is absent,—the paper is intrinsically valueless ; if the check be dishonored or the bank fails, he has got nothing for the wealth he gave for it ; whereas in the gold he gets a property, a metal as valuable as the article he has sold.

Mr. Bonamy Price, in "Currency and Banking," puts the matter very clearly. "If checks and bank notes are true money, then so are spoken words, for they can purchase property, and bind the buyer at law just as strongly as a check. To tell a bookseller to put five pounds' worth of books to his account, commits the buyer to payment as completely as a check. Coin is the substance, the reality covenanted to be given for goods bought ; consequently coin alone is payment. Every thing else, bank notes, checks, warrants, are nothing but title-deeds, evidence good at law to compel the stipulated payment in coin, if not voluntarily given. Without a court of law in the background, they are only acknowledgments resting on honor, and may at any moment prove to be empty writing. Coin pays ; no form of paper does till what is written upon it is fulfilled. A bank note is not property placed in a man's hands ; every seller may decline to take it. If the bank fails, the holder will never be paid at all."

The truth that bank notes are not money received a remarkable confirmation from an elaborate judgment delivered in the Supreme Court of the United States ; and the careful reading and thinking over this will explain the weakness of "inconvertible" paper money.

The question which presented itself for final decision

was whether debts which had been contracted previously to the act of Congress which made the inconvertible bank notes called greenbacks legal tender, were discharged by the tender of these notes. Nothing could be sounder or more admirable than the doctrine laid down by Chief-Justice Chase. He ruled that such debts were contracts to deliver money, and that bank notes were not money, and could not be forced upon a creditor as a satisfaction of his claim.

The distinction that coin alone, the metallic dollar, was money, was most sharply and accurately drawn, and the right of the creditor to the covenanted payment was clearly established. A bank note was pronounced not to be payment; it did not fulfil the contract entered into to deliver money. The case was wholly different with debts contracted subsequently to the enactment of the law which declared greenbacks legal tender. The creditor had been distinctly warned beforehand that the word "dollar" would be understood by the law to mean that particular piece of paper which contained an acknowledgment of debt due by the government of the United States. He knew when he gave credit on an undertaking to be repaid in dollars that he would receive, not money, but the transfer of a debt, expressed on paper which was due by the government. He did not stipulate for money, and consequently money he was not entitled to, and would not receive. He would get dollars, as interpreted by the law of legal tender, not the metallic dollars which are money, but a promise made by the government to pay *such dollars without any stipulation as to the time when they would be given.* It was for him to consider when he gave away his goods what the

promise of a dollar or the pieces of paper might be worth in the stores.

Nevertheless, though bank notes are not money, it is hopeless to try to strip them of that title. When the bank notes are established in public confidence, it is impossible to maintain the distinction between them and coin in popular language. Mixed together in the same purse, the common heap is regarded as money. They both do the same work, both circulate and purchase with equal ease, both raise no other idea than that they are money to buy with. The radical distinction, however, between them, that coin makes a real payment and notes do not, is of the utmost scientific importance ; the difference meets the inquirer at evey turn in examining the nature and action of bank notes.

Paper money, out of its own country, in many cases carries no value at all. Bank of England notes, indeed, which have the same prestige over other kinds of paper money which the sovereign has over other coins, may be cashed without difficulty in Paris, Vienna, and other large cities, and at no greater charge than is made for converting sovereigns into French money. Indeed, as neither sovereigns nor Bank of England notes will circulate abroad, and have to be sent back to England before the foreign holder receives value for them, the notes are fully more acceptable than the sovereign, seeing that they can be transmitted to England for the mere cost of postage. Convince a continental money-changer that the English bank note is genuine, and he will give you cash for it as readily as for our metallic money ; although of course there is this difference—that coins can be tested anywhere, their value is in themselves ; whereas

bank notes, even of the Bank of England, in foreign countries can only be received as genuine out of confidence in the person who presents or indorses them. All paper money needs this guaranty of its genuineness, that the promise on the face of it will be kept. The Scotch prefer paper money, as being in their opinion cheaper, safer, and more convenient for currency than the sovereign; but their notes do not circulate out of the kingdom. We receive them daily, but always send them to the bank of issue and get gold in exchange. The same with notes of the provincial banks; these are very useful in the immediate neighborhood of the banks that issue them, but they are received with great caution, if not suspicion, elsewhere. They will not circulate generally, because the public at large are not familiar with them, and therefore have not the necessary confidence required before parting with their gold or goods in exchange.

In this country, the paper money issued under legal restrictions by the banks amounts to about £40,000,000 sterling (the gold and silver money, whether in circulation or kept in reserve by the banks, amounts to about twice as much); and those who are friendly to Peel's Act, like myself, contend that it secures the convertibility of the Bank of England note. By the phrase "securing the convertibility of the note," it is not meant that the issue department of the bank of England held a sufficient amount of gold and silver to pay off all the notes it had issued. The bank is allowed to issue notes against the value of government securities that it holds, say fifteen millions; so it is obvious that the amount of gold and silver must always be less by this amount. But by

"securing the convertibility of the note" is meant, that the issue department of the Bank of England is in a condition to pay off any amount of notes of which payment was likely to be demanded *for the purpose of exporting the gold.* What they have to be prepared for is to be always ready to meet any *foreign* demand for gold. This is called "securing the convertibility of the note." The principle is correct, and I fail to see why the Bank of England should not have additional power, and be permitted to issue notes to any amount the nation needs, upon the same conditions that she issues the fifteen millions; and I see no reason why the joint-stock banks and provincial banks, or, briefly, any banker, should not be allowed to issue notes upon the same conditions, depositing government or other securities to the value thereof, the same to be stamped when issued, or paying, as now, a tax to government upon the notes so issued. By this means we should obtain always a plentiful supply of money for all internal purposes; the nation would make a profit to help in reduction of taxation; and the principal causes of pressure that caused the suspending of the act, as in 1847, 1857, and 1866, would be removed. At present, when the exchanges are favorable, gold is imported. The bank is compelled to issue notes against this bullion, thus increasing the circulation and lowering the rate of interest; this leads to speculation; these, co-operating with other causes, soon turn the exchanges. Notes are taken to the bank, and gold demanded, for the purpose of being exported. This contraction of the circulation of notes produces pressure, and the apprehension of further pressure produces panic. It is stated that during the pressure of 1847, notes to the

amount of £4,000,000 were hoarded under the influence of panic. It is difficult to state where prudence ends and panic begins. That there is no real necessity for them, that they produce an incalculable amount of ruin and misery, is certain; and if the Act of 1844 was enlarged, so that notes, upon depositing the requisite security, could be had for any amount, and panics be avoided, the change would be a national blessing.

I have an implicit faith that "there is a remedy for every ill that flesh is heir to"; and that the ills are intended by nature to make us exert ourselves to remove their causes. Our Currency Act should be so framed that at all times, more especially in times of panic, the people may be certain that any amount of money can be had by those who have the requisite securities to deposit for the same. It is the dread of not being able to get the money that causes half the mischief; and it is folly to go on trusting in time of need to suspend the operation of the Bank Charter Act. When an act is suspended, it must be either to remove an evil which the act has produced, or to prevent an evil which the act may produce. But it is in our power, and as prudent men it is imperative upon us to use the power we have, to adapt the act for all times; we ought to have—considering the great interests at stake, and the overwhelming, irremediable evil an inefficient circulating medium causes—an act adapted for all times, and so provide against panics in the present or the future. If panics are caused by the act, let the act be altered; if not, it cannot be wise to suspend the operation of the act; but the real cause should be found out and removed. Currency has its laws; these must be understood better generally; the

fluctuations are known by a banker, and expected as naturally as a farmer expects a recurrence of the seasons. The fallacy is in assuming that the nation is on the road to ruin or to prosperity because the circulation is higher or lower this month than in the preceding month. The circulation of the Bank of England is affected by the payment of the public dividends. The country circulation is affected by the price of corn ; The Bank of England by the amount of her bullion. How absurd to expect that these should at all times correspond ! Even had we but one bank of issue for the whole nation, a constant conformity between the London and provincial circulation could never be maintained. An importation of gold would expand the London circulation, and an exportation of gold would contract the London circulation. But the country circulation would never expand and contract in immediate conformity, and in certain seasons of the year would show a progress in an opposite direction.

Banking has economized enormously the wealth of every country in which, like our own, the system has been well developed. Strange to say, in London, the city of gold, gold is but little seen. We know, by official returns, that so many millions of gold lie in the vaults of the bank, and we infer that a few thousands of sovereigns are kept in each of the other banks, as small change for their customers' wants. But the precious metal itself makes no appearance in the immense daily transactions of our city of gold. Bits of paper, with some writing on them, are the potent agents of the scene. Paper, paper everywhere ; but no gold, not even bank notes. You go to buy some shares, you see the rate they are quoted at,

and commission your broker to buy. The broker goes into the busy, crowded room of the Stock Exchange, finds or calls out for some one who has shares of the kind to sell, makes a bargain at the current rate, and brings back either a check or a stamped agreement to purchase, which he hands to his client; coupons or certificates are given on one side, and a check on the other. But no gold—not even notes! The same takes place in the Royal Exchange and Mincing Lane; only bills and produce are there dealt in, instead of stocks. If you pay a man, you give him a check. If you discount a bill, you get the produce in a check. If you obtain a loan from your banker on stock, or by his discounting bills for you, the amount is placed to your credit, and you tell your creditor to draw on you, or give him a check. It is really a strange thing to contemplate so much wealth changing hands—money ceaselessly *in transitu*—yet not a sovereign to be seen. It is but the ghost of money that occupies the city, or rather it is money in its most civilized form—convenient and inexpensive. It is the check system, the credit system. And, after all, money itself is nothing else than a form of credit—a thing (whatever its substance) which men by common consent have agreed to recognize as a definite symbol of wealth, —a representative of property.

The truth is, the whole operations of this monetary metropolis would come to a standstill if the payments and exchanges of property had to be carried on in gold. A single dealer sometimes lends, or pays, or receives a million sterling or more in a single day; and dealings to the extent of several hundred thousand pounds are by no means exceptional occurrences on the part of single

individuals. Many millions of property are changing hands, in loan or purchase—in banks, discount houses, on 'Change, or in Capel Court—every day. Fancy what it would be if men had to carry about with them such a mass of gold! A thousand sovereigns is a burden which few men would care to carry about with them for a single hour. What a sight, then, it would be if the busy hive had to trot about thus laden. Ants in their hive, carrying about their eggs as big as themselves, would be a joke to it. And consider, too, what insecurity there would be, what occasions for loss of the precious coins, what temptations to theft and robbery, if the transactions in this busy place were so conducted! It would be quite impossible to carry about such a mass of gold as would be needed to liquidate the engagements which daily take place. Still more, even if it were possible to carry about these loads of gold, the gold itself in such quantities could not be procured. Happily, the yellow metal is not wanted. Checks, bills of exchange, and bank notes are found to be equally valuable and negotiable; they represent property quite as reliably as gold, besides being infinitely more portable, safe, and convenient. And hence they, or rather bills and checks, constitute, to all intents and purposes, the only currency on 'Change and throughout the monetary city. By means of them transactions to the extent of many millions take place daily without a single sovereign or even bank note being visible.

Yet gold, though not visible, is the presiding spirit. The power of paper, its very existence as a medium of exchange, the enormous sums it so easily transfers,—all its operations depend upon the presence of gold in one part of the locality—in the Bank of England. The

thousands who daily operate never see it. But, visible or invisible, its presence and amount regulate the operations of the bank, and those operations regulate and affect all the other operations of the precinct. According to the weekly report of the officials as to the quantity of gold lying hid in the strongest chambers of the bank, the value of stocks and shares rises and falls; high or low rate of interest, panic or prosperity, occur, according as much or little of the yellow dross is reported to be in the occult chambers of Threadneedle Street. The vital point in the day's monetary news are the lines that tell us how much gold has been taken to or withdrawn from the bank, as the movements of the precious metal regulate the bank rate of discount; and although the leading joint-stock banks now act independently of the bank, and regulate the rate according to their power of lending, still the bank rate is the principal regulator of the rate of discount, as it indicates the supply of or demand for gold. As before intimated, I think something should be done to remedy this, and prevent the great fluctuations the rate of discount is now subject to. The price of money depends on supply and demand; bankers, and all dealers in money, like a high rate—the trading classes do not. To my mind, two per cent. is as bad as six, the one being as much too low to pay for the use of money as the other is too high; the rate must fluctuate. But there is not sufficient reason for the extreme rates up and down in every twelve months that we now experience—variations only justifiable upon the assumption that every one had literally to meet their payments in gold, which at times may not be easily procurable; but it is not so. Bank of England notes answer every purpose equally as

well, and can be manufactured in any quantity. There is no reason whatever to alter the principle of the Bank Charter Act of 1844; but why £15,000,000 should be the maximum sum for the Bank of England to be allowed to issue her notes against security I fail to see. On the contrary, there is every reason why a sum that was sufficient to meet the needs of 1844 should be altered to meet the larger needs of 1880. It is simply absurd, when trade is good, that our operations should be limited because of the scarcity of gold. It is impossible for gold to increase in proportion to the nation's needs. "Money" will show you there is no need for more "gold." Let the trade of the nation increase to any extent; the exchanges, however large, may be made by checks, bills, banks, and the clearing-house. We only want the Currency Act altered so as to permit the Bank of England or government to increase the note issue to any extent, proper security being left for the same. If we found in times of panic that people lost faith in the notes, and all wanted gold, there would be some reason for our timidity upon this subject; but, as a matter of fact, no such loss of confidence has ever occurred. People take the notes as readily when the stock of gold is low as when the bank's coffers are overflowing with the precious metal. The notes serve their purpose as money quite as well as gold does, and the public greatly prefer them as a means of internal circulation, as a means of settling accounts among themselves. Bank of England notes are accepted everywhere and at all times as preferable to specie. It has always seemed to me a great pity we have not notes for £1, £2, £3, £4; they are very convenient; and it would make the poorer classes familiar with paper money

if they were paid their wages in paper money. With the middle and upper classes, paper money is always preferred—a check being preferred to any thing else, although only an order to pay and not a legal tender at all.

Gold must be the basis of our money, but it is unneeded in our monetary transactions with one another. And it is an insult to our common-sense, as a practicable people, to get in such a state of alarm at every diminution of our stock of gold, because the Bank of France, or any other foreign bank, buys up bills of exchange upon London, and sends them here to be cashed, in order to supply itself with gold from the stock kept in hand by the Bank of England ; or it may be our own government, which, by making loans to a foreign state, necessitates a corresponding export of the precious metal ; or which, in times of war, has to export specie to provide supplies for its army abroad. It may be our corn merchants importing grain to make up for a deficient harvest here ; or our manufacturers who purchase the raw materials of their industry ; or, finally, it may be great capitalists, great money dealers, who convert their money into gold or silver as best suits their purpose for the time, and who transfer it from one country to another, wheresoever they can make the largest profits upon it. It is these agencies, and not any mistrust of the notes, which produce the occasional heavy demands for gold upon the Bank of England. These causes will always be in operation ; we are aware of them, yet take no steps to prevent their operation every ten years or so ; causing a convulsion which spreads terror throughout the city, and all commercial circles, paralyzing the whole country as

effectually as if an earthquake had strewed with ruins the great seats of our national industry. Trade is stopped, gains ruthlessly swept away, suffering and want exist nearly all over the country, as if there was a great famine; and as a rule, this occurs just after or when the country is fully occupied and prosperous; and the only reason is, we stupidly restrict or totally suspend the usual credit system by which the trade of the country is carried on, because the supply of gold in the vaults of the Bank of England is temporarily diminished. We forget at once what credit and paper money were invented for —viz., to take the place of payments in coin,—and have not wisdom enough to be equal to the occasion, and make use of our credit system as a means of compensating for the temporary absence of gold. Instead of doing so, to tide over the difficulty, instead of having a system that gives greater expansion in the time of need, ours restricts its general operation, and makes every one doubt being able to get the money they may require, and so we aggravate the difficulty we are in; and so long as we persist in this course, so long must the nation be subject to these periodical visits of commercial distrust, and be punished by suffering that must inevitably occur, unless more elasticity is given to the present system of monetary legislation.

Do not imagine I am any speculative theorist; no one is more utterly averse to the many remedies that have been suggested to save thousands from ruin—suffering—starvation. I am no advocate of Gray's, Harvey's, or any other remedy, with their consol notes, labor notes, land notes, inconvertible notes; but thoroughly believe in the principles of the Bank Charter Act, and maintain that a

metallic currency is the only safe and reliable one—that it must be distinctly the basis of all notes, bills of exchange, checks; that the same are convertible into gold, and that the sums they represent are payable in gold currency. But the fact stares us in the face that these panics do not arise from the want of gold, but a limitation and restriction of the *ordinary accepted currency* of the kingdom, just at certain junctures when the nation requires more instead of less of the circulating medium; and it can be proved that a larger issue of bank notes at these periods stops the distrust, the blind fear that creates panics. Therefore, why not remove the cause by not limiting the issue of notes to the stock of gold, and a certain sum not exceeding £15,000,000, upon securities; and, as they cannot be increased upon the stock of bullion, alter the act to any sum the nation needs, if government security to the value thereof be deposited? To those who will reply, This would destroy the "convertibility" idea, I answer, it is only *extending* the present latitude, and deny that there is any danger in the suggested alteration, as it is extremely rare that the drain upon the bank gold ever becomes so great as to be a *real and unavoidable* embarrassment to the bank. The export of three or four millions of specie generally produces such an effect upon the rate of exchange, as of itself to render any further exports of the kind unprofitable; hence the drain ceases; and, except during a long and gigantic contest, such as we had with France under the First Napoleon,—an extremely exceptional circumstance—the drain of gold for export has never assumed a magnitude such as really to imperil the position of the bank. The artificial restriction of the Bank Act simply

wants removing, or rather its power of issue enlarged, so that the people will not be under a fear or a scarcity of the medium of exchange in circulation. We want the act to give confidence, to remove the senseless fears of timid, thoughtless people, and thus prevent panics, and the ruinous depression of industry.

INCONVERTIBLE BANK NOTES.—An explanation of these will perhaps give you a better value of the "convertible" bank notes. An inconvertible bank note is a paper tool of exchange which acknowledges on its face a debt to be due, which promises to pay it, but—mark this well—*no time is specified for the payment;* and for all such notes, although the coin is promised, *it cannot be obtained on demand.* Now, as before explained, a "convertible" note is not payment, but the payment of it in coin can be had for the asking. Thus such notes are properly held to be a fair exchange, as they guarantee to the seller that by their aid he can obtain coin on demand, or other goods equal in value to those he has sold; whereas a bank note *not payable* on demand supplies no such guaranty, and its value is based upon the assumption that the government that issues it will not repudiate its liability—will pay some day; but it is not certain that it ever will be paid. How is it, then, that any one is willing to give away his property in exchange for such paper? Because the government enacts a law compelling every creditor who has debited a buyer with a dollar or a pound to accept these notes as a full discharge of his debt. They endow these notes with the right of legal tender. They owe interest on the national debt, and force the national creditors to take these notes as payment of the interest due. They purchase supplies,

and persuade the contractors to supply them with goods by means of the knowledge that they will be able in turn to pass on these notes to all to whom they are indebted.

Another very important point is, that bank notes payable on demand come back upon the issuers; they only remain in circulation to the extent they are required. But with inconvertible notes there is no such machinery for adapting their number to the requirements of the public for them; once put out into circulation, they are always out, and so in course of time there is an excess of this paper money, and an inevitable fall in its value as compared with the value of the coin which is acknowledged to be due. The supply of them is too great; many persons have more of them than they know what to do with; they become uneasy, and to get rid of them, they are willing to part with them at a reduced value. Each fresh issue adds to the depreciation and to the disorder it creates in all money transactions. The notes are worth less and less, and thus an inconvertible bank note is liable to the worst vice which a currency can possess —unsteadiness of value. The essence of a currency is, its giving a reliable assurance to a seller that he will be able to procure other goods of the same value as those he has given away. The "convertible" currency does this; the "inconvertible" deliberately corrupts and vitiates that assurance, and, like protection, adds unnecessarily and wantonly to the price to the consumer, as, the value of the notes being uncertain, the seller protects himself by adding the risk to the price of every article he sells. The more civilized a nation is, the greater the development of its trade; the larger the number of debts to be settled, and stipulated annuities to

be paid, the more disastrous is the violence done to the currency, the more injurious its consequences to society. The essence of honor and good faith in contracts, as well as of trustworthy trade, is to give the value of the thing covenanted for. But the inconvertible paper note will not buy as much, as the dealers all ask a larger sum for their articles; the notes will not obtain so much value as before in exchange; and creditors, and in fact all parties with fixed sums to receive, landlords, annuitants, all with fixed incomes, find that a portion of their yearly income has been confiscated by the introduction of a paper money not payable on demand. The plea is necessity. What is the government to do? Why, choose the lesser of two evils; levy the heaviest amount of taxes the nation can bear, and borrow upon interest or annuities the residue upon the best terms that are possible. Face the position, do not evade it by floating a false money—a lie, a fraud, that robs creditors of the individual and the state; that harasses trade and every exchange between man and man, damaging the national credit, and putting forth an unsound currency; that persecutes society, and poisons every sale as the days roll on, affecting every individual, as all more or less buy, distribute, *exchange* daily.

The advocates of an "inconvertible paper currency" argue as if there cannot be too much money. Men are never taught what money is, have yet to learn the alphabet of currency, that money is but a tool, a medium that affects second-hand the exchange of goods. It is not the money which really buys; money is only the instrument used in buying. "It is the property with which money is itself bought that buys." Buying is only ex-

changing goods ; to sell for money is only double barter in the place of single barter. Money does not directly produce a single particle of wealth, nor create any additional power of buying, which would not exist without it. By simple barter, you exchange the hat you have made with the shoemaker for shoes ; by double barter, you exchange the hat for money, and by its agency buy what you like and when you like to its value. But the power of purchase, you will perceive, depends upon the hats and shoes ; these are the real wealth, the power, that enables men to purchase money. Money cannot, does not, increase trade ; it enables large transactions, all exchange of property, to be made more easily ; but without coin or notes, the goods made, all property, would be exchanged ; people would buy and sell just the same. Gold is useful as currency, so we pay miners for it ; but we give real wealth, our produce, and manufactured goods for an article supposed to be of the same value ; but it is not so. If we could do without it, the miners and others employed in getting it would be employed in producing real wealth instead of artificial. You will also hear people argue that it is a good thing to have a national debt, forgetting that the debt implies a national indebtedness to pay so many people yearly an amount of money that enables them to obtain so much produce or manufactured goods without doing any thing that helps towards the production of the same. There is only one way for a nation to be wealthy : its people must work, mentally and bodily—be thrifty and thoughtful. The national debt, by giving a large number of people the right to live without labor—*upon the labor, therefore, of others*—is a national curse ; as are all monopolies, taxes, restrictions of all and every kind that stop the

growth of produce, the development of manufacture. The more goods a people can make, the cheaper must the same be to the consumer ; the more goods the money will procure, the greater will be the demand. Upon this, and this only—the power of the consumer to purchase, and his right thereto being based upon his helping in the general work—can trade be healthfully developed and increased. Men must learn that it is what they produce which gives them the power to buy ; and the Currency Act must be so framed that men will not be thwarted and paralyzed in their endeavors, for fear of not getting enough of the medium of exchange. Briefly, it is imperative that our manufacturers and merchants have the faith that "money" can always be had if they have the necessary securities to buy it with ; and that our bankers should comprehend that in times of crisis they should be "more liberal" towards their regular customers, instead of, as heretofore, pursuing the opposite policy.

BILLS OF EXCHANGE.

A bill of exchange is a written form from one person to another, directing him to pay a sum of money either to the drawer or to a third person at a future time—as follows :

LONDON, *January 1st, 1880*, due *April 4th.*

£100. 0*s*. 0*d*.

Payable at the Union Bank. C. D.

Three Months after date, pay to my Order the sum of One Hundred Pounds,

Accepted C. D.

For value received.

A. B.

To C. D.,
1, ST. PAUL'S CHURCHYARD, E. C.

The bill may be drawn for so many days, weeks, or months, either after the date of the bill or after sight. This latter is often misunderstood, and holders keep the bills the thirty or sixty days before presenting them. After sight means the thirty or sixty days after the bill has been seen and accepted by the banker or person upon whom it is drawn. All bills to be legally negotiable need the word "accepted," and if drawn after sight the acceptor also writes the date of the acceptance.

The person who draws a bill is called the drawer; the person on whom it is drawn is called the drawee. After the bill is accepted the drawee is called the acceptor. The drawer of the bill, if he wants his banker to present the same for him, or if he wants to discount a bill, writes his name on the back thereof, or endorses it, as it is called. Bills are often endorsed by a third party, as security for their payment, if the acceptor fails to honor the bill when due. The party who endorses a bill is called the endorser; the party to whom it is endorsed is the endorsee. The person who pays a bill is the payer; the person to whom it is paid is the payee. The best and only legitimate bills of exchange are those drawn by producers or manufacturers upon wholesale dealers, the second-best are those drawn by wholesale dealers upon retail dealers. Bankers should confine their operations to the above; there should be no encouragement given to retail dealers to draw bills upon consumers. To discount these bills is to encourage extravagance in the acceptors and, ultimately, ruin to the drawers. The man who gives a bill to his butcher, baker, tailor, upholsterer, must be living beyond his income. The man who buys the necessaries of life upon credit, relying on his divi-

dends or rents, is improvident; the man who buys the necessaries of life, relying upon his future earnings, is a thief, as he may die at any hour, and has no moral right to incur debts the liquidation of which depends not only upon his living, but being able to earn his living. There are bills also given in anticipation of salaries or rents; if these are against value, they should be discouraged; persons out of trade have no business with bills. Accommodation bills ought always to be refused by a banker; they are a fraud; "lie" is upon their face, for value received written thereon is an untruth. A B has accepted to oblige C D, but no real value is represented; the bill is not what it professes to be—an acknowledgment of a debt—and the bill given that C D may transfer a debt due by A B to his banker. Bills of exchange are invaluable in commerce; the knowledge of large payments in gold at fixed periods, monthly settlements, bills to meet on the 4th, etc., would be more than the nerves of ordinary men could bear, were it not lessened by the fact that they hold so much paper in their bill boxes that their bankers will discount for them if needed. Therefore, all commercial men should strive to keep their paper above suspicion. Bills are the best and cheapest means of transferring money from one place to another. Bills of exchange are a legitimate and useful means of borrowing, and a handy means of security for bankers to lend upon; but it is most important that they be genuine, and be what in reality they are, a system of hypothecation—viz.: A (the trader) having £1,000 owing to him by B, and B not being able to pay it at the time, and A wanting the money at once, draws a bill upon B, and the bankers believing in the genuineness of the bill, that it is

a debt for goods sold and delivered, discount the paper, and the right of receiving the debt of B is transferred to them by A, it being understood A has to pay if B fails to.

Another ingenious expedient is that of A having consigned certain bales of merchandise to B, draws upon him, at so many days after sight, and by depositing with a banker the bills of lading, policy of insurance, and bills of exchange, the banker advances him the money, and his agents collect the debt or receive payment of the bills drawn on the consignee. This is a very useful arrangement, and if bankers would only exercise the proper caution, have all invoices signed by the principals, and only undertake to *collect* the debt—that is, to hold the bills of lading and other documents until the bills are paid; or, if they advance the money to consignor, keep rigidly to "two thirds" of the value, protecting themselves, as at present, with letters empowering them to sell before the bills mature in case of insolvency of consignee —to act, in fact, as if themselves the direct consignors, but with power to sue the real consignors for any denciency, or to appropriate any excess,—the system would be a national benefit. But their laxity in making too large advances has been the means of introducing into this "shipping" trade the reckless, unscrupulous adventurers we have heard so much of the last ten years, —men who are not in a position to pay if their customers fail to do so, or to bear the losses consequent upon a forced realization of the merchandise, too often recklessly consigned because of the facilities of borrowing upon the bills of lading, etc. Then follow commercial disasters and social shipwreck. So, instead of recommending an extension of credit, or an increase of fictitious money, I

advocate more strict adherence to legitimate, sound trading and banking, and the discouragement of all the ingenious shifts and contrivances by which speculators and needy men try, by means of the *shadow*, *paper*, to take a position or do the trade justified only by the presence of the *substance*, *gold*.

Bills fix the period for the payment of debts, and in case of litigation they afford an easy proof of the debt. Many otherwise good business men will have no scruple in putting off tradesmen to whom they owe money, and the creditors dare not be too pressing, for fear of giving offence ; hence the time of payment is uncertain. This is one of the greatest evils not only in the retail but the wholesale trade. With the consuming class, the time may not be ripe for insisting upon *fixed* days of payment ; but in the wholesale trade, a bill or check upon a fixed settling day every month, or the month when an account is due, should be strictly enforced, or the account at once closed. But you will perceive the value of bills ; a trader will meet his bills who has no hesitancy and thinks it not derogatory to his credit to keep putting you off with one excuse or the other upon an open account. It is surprising how even professedly religious men fail to see the dishonesty of thus depriving their creditors of the use of their money. Traders in good position will tell you they have been buying houses or shares ; therefore you must wait. The inconvenience to you is never thought of, or apologized for ; in fact, it is the most painful experience to a trader with an active conscientiousness ; this laxity of morals, this ignoring the rights of others, being done by men for gain, not from necessity. We need *all men* to perceive clearly that any man who fails to pay his

debt on the day when it is due, whether accepted for or not, is, unless he pays interest—which is rarely, if ever, done, and is not allowed by law on open accounts,—deriving an advantage at the expense of his creditor—an advantage which, in my opinion, no really honest man should take. If a man dishonors his acceptance, his character is stamped at once in the commercial world as being either very poor, very negligent, or very unprincipled, and at no future time will he be able so easily to raise money upon the credit of his name. I see no reason why the same opinion should not be generally entertained by those who fail to keep their word in paying their debts at the time agreed upon; and if it was generally understood that the same stigma would attach to the failing to keep the verbal promise as the written bond, the means would have been taken to destroy the worst feature of our credit system.

We have to overcome in the public mind a feeling of prejudice respecting bills of exchange. Many experienced traders refuse to accept, others boast they never accepted, a bill; but if you regard your word as your bond, what difference does it make to you if, not being able to pay my debt when it is due for discount, you give me a bill instead? By means of bills a trader can carry on a larger business with the same capital. For instance, you owe me £100, but cannot pay; if you refuse to accept a bill, the loss of this £100 will seriously interfere with my payments, damage my credit, prevent my buying stock, and thereby check my trade; but if you accept the bill for the amount you owe me, I send it to my banker; he, having faith in me, places the amount to my credit, and the bill is to me as useful as the cash

would have been—in fact, you give me a lawful recognized medium by which others will supply me with the gold that temporarily you cannot pay me. Some tradesmen pay their debts with customers' bills—a habit that should not be encouraged. All bills should go to bankers; it is their business to discount the same. If you owe me a debt, you should pay me in money, or give me your acceptance for the amount. In business bills are invaluable to tradesmen, and they set in motion what would otherwise be large sums of locked-up capital. They also enable men to go into business that otherwise would be debarred therefrom; as to give credit without drawing bills would require much larger capital than the majority of traders possess. To give no credit would restrict one's business; by means of bills credit can be given, and the business extended, without any addition to the capital being required.

Bills are an easy way of giving a guaranty. A wants to borrow £100 of B, which the latter is in a position to lend, but not upon A's security alone; A, therefore, gets a friend either to join him in signing a promissory note for the sum needed, or in endorsing a bill of exchange. By this means B can assist A, and money might be often lent safely and advantageously, as B, in case of need, could re-discount the bill with his bankers. But bear this in mind, there must be *bona-fide* consideration given for the bill; as pure accommodation bills, I care not for what purpose needed, are dishonest, fictitious, and indicate the folly, as they invariably effect the ruin, of all the parties concerned.

Bankers by means of bills unconsciously transfer capital from the trade not wanting capital to the trade that

does. Every branch of trade is liable to fluctuations, from an alteration in the proportions between the demand and the supply, and hence capital is continually undergoing a transfer from the production of those articles for which there is a less demand to the production of those articles for which there is a greater demand. So we hear from political economists of an average rate of profit in all trades, because by a natural law capital flows from or ceases to be supplied to those branches of trade where it is not remunerative, and finds its way to those other branches where it is wanted. Banking helps this natural law. A manufacturer does not leave his employment, or transfer his capital, but the manufacturer in the declining trade reduces his capital, while the manufacturer in the prosperous trade will augment his capital, and the transfer of capital from one trade to the other is effected chiefly by bills of exchange. For example, the manufacturer who is selling a less quantity of commodities will have fewer bills to discount with his banker, but the other manufacturer who is buying and selling a greater quantity of commodities will have more bills for discount. You will perceive that the banker who uses the bulk of his capital in the discount of commercial bills thus easily transfers from one branch of commerce to another money or capital in exact proportion to the circumstances of the respective parties.

BANK SHARES.

Banking is essential to our prosperity; it is therefore imperative upon us, as a "practical people," to make the investing in "bank shares" less risky than it is. The

large profits to the original shareholders of the leading joint-stock banks may justify incurring the liability as a speculative investment; but in considering this question we have to remember that the market price of these banks at the present time only gives 4½ to 6 per cent. to the present investors; and no sensible man of any responsibility will for such remuneration put such a liability on his shoulders—a liability that may utterly ruin him at any moment. Therefore, I would substitute a "positive" for an unlimited liability. In the new edition of "Business," 1879, before the Chancellor of the Exchequer brought forward his plan of multiple share value, I had advocated that all the shares be fully paid up, and that each shareholder be liable for a similar fixed sum; and instead of "reserve liability," as reserve might imply any sum, I wrote to the Chancellor of the Exchequer that my book had been in the printer's hands two months, and that there I had advocated "double liability"; as the public, knowing that "limited" meant liability to the value of the shares, "double" would imply double the value of the shares, and that would indicate to the shareholder his responsibility, and to the public its security. In 1879 the law was amended; some of the banks became "limited"; and it is satisfactory to find, end of the year 1880, that Mr. Huth, chairman at the meeting of the London and Westminister Bank for the half-year ending December 31, 1880, stated that the deposits were £1,500,000 more than at June 30, 1880, that the half-year's dividend was 9 per cent., against 7½ per cent., same half-year of 1879; that new accounts had been opened, and the list of shareholders been much strengthened by the entrance into it of per-

sons of wealth and standing, who had kept away so long as the liability of shareholders was unlimited. The object of legislation should be to encourage the better class of investors—intelligent men who can understand a balance-sheet, and competent to ask questions at the half-yearly meetings; prudent men willing to incur a *fixed* amount of responsibility, but refusing to saddle themselves with a liability that means "ruin" if an incompetent or unprincipled man be manager of the bank. The only argument in extenuation of "unlimited liability" was to guarantee the *note*-holders, but if we had only "national notes" issued by the government against security, this objection would be removed.

The liability of directors and manager should be "unlimited." They have great power, and it is not in human nature to guard borrowed money with the same vigilance as money obtained by one's own incessant, self-denying, hard work. The only plan is to let those who have the power take the responsibility for all they possess; so that they confine themselves to legitimate banking, and be not tempted to things best left alone. Their position is this, for a margin of one per cent. to two per cent., or for large sums half per cent. to one per cent., to find for their thousands of customers the prudence, caution, and common-sense which in many cases the customers ought to find, and it would be better for all parties that they found for themselves. Men must act for themselves more, and cease to regard joint-stock banks as a kind of central financial providence.

The joint stock-banks of this country have been a most remarkable success. For their future prosperity, to retain the confidence of the "moneyed public," it should

be understood that a banker's business is to use the "capital of others." It is a business in which the capital of the proprietors is used, not to work the business, but to *guarantee* the business. It is only wanted as a "moral influence." There was a time for all things. Whilst the idea was a new one, joint-stock banking needed from the public, confidence, without which banks cannot prosper; and the unlimited liability of each shareholder was then necessary; but unlimited liability has done its work, and after the terrible catastrophe of the City of Glasgow Bank, no sensible man of property would continue to hold any shares in an "unlimited bank." Think for a moment what profit can compensate for the possibility of ruin at any moment. Who would incur the risk? "Only men of no property," an inferior class of shareholders; whereas in banking companies we need the very best class that can be had. So, as the banks will in a very short time be "unlimited" only in name, it is time the Liability Act in reference to banking and other companies be amended. But as regards the issue of notes, until an alteration be made in the method of issue, there must be no limitation of liability here, or you damage the value of notes as a medium of exchange. Currency must be kept above all suspicion; therefore the holder of a note of a bank that fails should come in with the other creditors as regards the general assets, but have the right of a secured creditor against the shareholders for the residue. The reason, you will perceive, is obvious. A trader is almost compelled to take a note if offered. Notes are valueless unless they circulate; to ensure their circulation needs confidence; to give this there must be security. But a man who

takes and buys shares, or has a current or deposit account, acts upon his own free-will, for certain advantages to himself, and must take the responsibility with the benefits.

M. Thiers has well defined responsibility in sketching the qualities necessary for success in war, and brings vividly before his readers the tremendous issues that hang, moment by moment, upon the genius, the strength of will, the promptness, and the presence of mind needed in a general on a day of battle. Bankers and bank managers need all the qualities except genius for their positions, and have daily need of all the other qualities necessary to a great general. If war has her reverses and defeats, so has peace; and there are none equal to the carnage caused by incompetent bank managers. Their position is one of unlimited responsibility. They have the power to do immense benefit, and to do it, if they have the requisite capacity, by the rules of good banking, sound finance; and they also have the power to bring forth the horrors that follow false and guilty finance, unsound banking, as with the City of Glasgow Bank, the West of England Bank, etc., and thereby prostrate thousands of families in ruinous, hopeless misery worse than death. Shareholders must be more vigilant. The manager of one of the large banks has the control of millions, and there is more probability of mistakes being made, that, if not rectified or stopped, will be ruinous, than there is of a manager committing a fraud. But errors of judgment, the mistakes of a sanguine manager, are far more to be dreaded than the theft of a dishonest manager. Commerce needs energy and enterprise; but banking is simple, steady-going, and cautious. "There

is no more unsafe government for a bank," says Mr. Bagehot, "than that of an eager and active manager, subject only to the supervision of a numerous board of directors, even though that board be excellent; for the manager may easily glide into dangerous and insecure transactions, nor can the board effectually check him." Banking is a very peculiar business, and it depends so much upon credit, the confidence of its depositors, etc., that the least blast of suspicion is sufficient to sweep away, as it were, the harvest of a whole year. Great vigilance is needed, and there is great anxiety. They have very large sums to employ, yet are expected to be ready at all times to pay; so are compelled to restrict their advances to such securities as are available in case of need—"negotiable" securities, as they are termed. It is a terrible responsibility to feel that, whether weakly or wickedly, you have led the shareholders and depositors who have trusted to you along the road to ruin. The law should be clearly defined as to the personal responsibility of managers and directors of all joint-stock companies. Their position is one of great trust; their duties should be well remunerated; but any deception, such as a false balance-sheet, should be punished criminally.

BANKING.

We have but little information as to what kind of banks existed in the earlier ages, or on what system they conducted their business, as most of the nations of antiquity subsisted chiefly on agriculture. They probably had little occasion for banks, for it is only in commercial countries that these institutions have attained to any high

degree of prosperity. And as even the commercial nations of antiquity were unacquainted with joint-stock companies or commercial corporations, and had not discovered the use of paper money or bills of exchange, the business of a banker even among them must have been somewhat different from that of a banker of the present day. There was no necessity, in fact, for these instruments to supplement the work in conjunction with "money," or the medium of exchange between buyer and seller. Like every thing else, money has progressed from infancy to age. We are so familiar with its operations that we forget to pause and consider what a useful thing money really is. Imagine, at the present day, that there was no such thing as money; how could it be possible to get any thing we might want? The shoemaker, for instance, wanting bread, meat, and beer for his family, must go to the baker and exchange his shoes for as much bread as they were worth, and would be compelled to go to the butcher for meat, the brewer for beer; and if this species of bartering, which money saves us from, were general, one can easily perceive what a frightful state of confusion and misery we should be in.

The merchants of early times employed as money gold and silver bullion, and received it and paid it away by weight. We read of Abraham weighing unto Ephron 400 shekels of silver, *current money with the merchant*, which implies that the money current with the merchant was different from that in ordinary use. After bullion was superseded by coin, and each nation had a coin of its own, the merchants would necessarily in the course of their business receive coins belonging to different nations; and hence would be applied to by

strangers who wished to exchange their own money for the money of the country in which they sojourned. We read in the New Testament of money-changers who had tables in the Temple of Jerusalem. It is probable they attended for the purpose of giving Jewish money in exchange for those various coins which persons coming from the neighboring countries might have brought with them. Whether the business of money-changing was carried on as a separate employment, or united with the general business of the merchant, we are not informed, but it is stated that the exchangers allowed interest for money lodged in their hands. "Thou wicked and slothful servant, thou oughtest to have put my money to the exchangers, and then at my coming I should have received my own with usury." From the circumstance of their allowing interest on money we may infer that they also lent money on interest, otherwise they would have had no use for the money they borrowed. "This scanty information," says Mr. Gilbart in his admirable book, "The Logic of Banking," "forms the whole of our knowledge respecting the mode of banking practised by the ancient Babylonian, Egyptian, and Jewish nations."

The Bank of Amsterdam was founded in the year 1609. It was occasioned by the vast quantity of worn and clipped coin then in circulation, in consequence of which the value of the currency was reduced above nine per cent. below that of good money fresh from the mint. The banks received these deficient coins at nearly their intrinsic value, and made all its issues in coin of the standard weight and fineness. At the same time a law was made that all foreign bills of exchange should be paid in bank money. This law raised the value of bills

on Holland in foreign countries, and compelled every merchant to keep an account at the bank in order that he might at all times have legal money to pay his foreign bills. The premium (called the agio) on bank money was regulated by the market-price of gold, and was subject to considerable fluctuations. To prevent the gambling to which these fluctuations gave rise, the bank at length determined to sell bank money for currency at five per cent. agio, and to buy it again at four per cent. From this and other sources of profit the bank is supposed to have gained a considerable revenue. It was the entire property of the city of Amsterdam, and was placed under the direction of four burgomasters, who were changed every year.

The Bank of Amsterdam was the model on which were formed most of the European banks now in existence; but they have varied very considerably from each other, according to the circumstances of the respective countries in which they have been established. The Bank of England was established by an act of Parliament entitled: "An act for granting to their Majesties several duties upon tonnage of ships and vessels, and upon beer, ale, and other liquors; for securing certain recompenses and advantages in the said act mentioned to such persons as shall voluntarily advance the sum of fifteen hundred thousand pounds towards carrying on the war with France."

After a variety of enactments relative to the "duties upon tonnage of ships and vessels, and upon beer, ale, and other liquors," the act authorizes the raising of £1,200,000 by voluntary subscriptions; the subscribers to be formed into a corporation, and be styled "The

Governor and Company of the Bank of England." The sum of £300,000 was also to be raised by subscription, and the contributors to receive instead annuities for one, two, and three lives. Towards the £1,200,000 no one person was to subscribe more than £10,000 before the 1st day of July next ensuing, nor at any time more than £20,000. The corporation were to lend their whole capital to government, for which they were to receive interest at the rate of eight per cent. per annum, and £4,000 per annum for management, being £100,000 per annum in the whole. They were not allowed to borrow or owe more than the amount of their capital, and if they did so, the individual members became liable to the creditors in proportion to the amount of their stock. They were not to trade in any "goods, ware, or merchandise whatsoever," but they were allowed to deal in bills of exchange, gold or silver bullion, and to sell any goods, ware, or merchandise upon which they had advanced money, and which had not been redeemed within three months after the time agreed upon. The whole subscription having been filled in ten days, a charter was issued on the 27th day of July, 1694. This was the commencement of the world-famed Bank of England, than which there can be found no better evidence of the value of credit: a Bank of England note, a mere bit of paper, yet received by every one, everywhere, in payment of debt, as if it were gold itself, instead of a promise of a banking corporation to redeem it in gold when presented for payment! In the year 1826 branches of the Bank of England were established in the provinces. The country bankers were strongly opposed to these branches, and held public meetings at which resolutions were passed in condemna-

tion of them, and in the year 1828 presented a memorial to the government upon the subject.

In 1826, joint-stock banks, with unlimited liability of shareholders, were permitted to be established at a greater distance than sixty-five miles from London ; the object of the Act of 1826 being to promote the formation of those joint-stock banks, and thereby replace to a large extent the private country banks, of which so many had failed during the memorable panic of the winter of 1825–6.

In 1833, by the 3 and 4 Wm. IV. c. 98, it was declared to be the law that joint-stock banks might be established in London. Under this statute the London and Westminster Bank was formed. And it should not be forgotten the great difficulties this bank had to overcome. The statute did not give them the power of suing and being sued by their "public officers," and they had to introduce into Parliament a bill to give them this privilege. The directors might well say in their first report, delivered March 4, 1835, "that they have had to encounter difficulties of no ordinary kind, caused by an opposition, in some degree natural, but carried to an unfair extent, by existing establishments, and likewise by the unaccountable course adopted by government, who seem to have been deterred by the same interested parties from giving effect to their own law." The opposition of the private bankers was manifested at an early period by their refusal to permit any clerk to attend at the clearing-house on behalf of this bank. The clearing-house has been in existence for upwards of sixty years, and, although founded in the first instance for the accommodation of such London bankers as chose to

avail themselves of it, yet it has become entwined with the mode of settling accounts in several branches of business, and is, for all practical purposes, a public institution. The opposition of the Bank of England began by their refusal to grant to this company the common convenience of a drawing account—a convenience granted, as a matter of course, to every respectable firm who may choose to apply for it. But this hostility, as well as that of the government, was more strongly shown by their opposition to the bill introduced into Parliament for facility of suit. This, it was conceived, was a course that no party could adopt after the explicit manner in which the law had been laid down in the preceding session of Parliament. However, the bill was opposed with a zeal and tenacity rather out of the usual course of parliamentary proceedings ; yet it was carried by large majorities through each successive stage—viz., on the second reading, by a majority of 108 ; in committee, after the fullest and ablest argument by counsel on both sides, by a still greater proportionable majority ; and again, on the third reading, by a majority of 61. Notwithstanding these majorities in the House of Commons, the opposition was continued in the House of Lords. In the beginning of 1837 the Bank of England got the Master of the Rolls to issue an injunction restricting the London and Westminster Bank from accepting bills drawn at less than six months after date, upon the ground that this would be an invasion of the charter of the Bank of England. ("Logic of Banking," by Gilbart.) Thus we see in every age the danger of monopolies. With banks, as with trade, government interference is a great evil ; we want to be let alone, and

should all unite as one man in opposing any further encroachment by the government on the freedom of banking, commerce, labor; and should also have an organized action to remove gradually all existing restrictions upon companies or individuals, and for the abolition of all monopolies.

The Bank of England is a grand and imposing place; its importance and its power are manifest, its exterior is like a fortress in the city of gold, only, unlike military fortresses, herein any one may enter who has the courage to do so, unchallenged. The chief entrance to the Bank of England is in Threadneedle Street. On either hand are the halls of the banking department of the establishment, and in front is the issue department. The portion of the banking department to the right, forming the entire eastern end of the bank, is devoted to the management of the national debt, where all transfers of government stock are registered, and where periodical payment is made of the dividends. At each quarterly term these rooms are crowded by people of nearly all ranks and classes, many of them from the country, who come to get payment of their dividends, which vary in amount from several thousands sterling down to a single pound, or even less. The amount of work which this entails upon the bank is greater than might be thought. Apart from the work of paying the dividends, the transfers of stock which the bank has to register amount in the aggregate to the enormous sum of about two hundred and thirty millions sterling a year.

The following description of the Bank of England is from "Economy of Capital," by R. H. Patterson:

"To the left of the chief entrance we find the drawing

offices—a long range of counters,—one of which is devoted to public or government business, and the other, and larger, to banks and private customers. In the former of these offices are paid in the moneys received by the government in payment of revenue, while the government salaries and other expenses are paid out. This portion of the banking department forms two sides of an oblong court, once the little churchyard of St. Christopher-le-Stocks, in which is an elegant parterre, with some healthy trees and shrubs, and an ever-flowing convolvulus-shaped fountain, which is supplied by a well. Looking into this elegant court from the north is the grand court-room of the bank, where the directors meet in council every Thursday, and publish those announcements of change in the rate of discount which set a-palpitating the city of gold, and sometimes also the whole country. Adjoining is the committee-room, where three directors attend daily to supervise the business of the bank, seldom alone; for other directors generally drop in, animated by a love of business, and attracted also by the excellent lunch which daily makes its appearance at one o'clock.

"A large portion of the bank's business makes little show. The discounting of bills is the most important part of the daily operations, but very properly these operations are hidden from view. A man who has a 'discount account' with the bank, and who wishes to cash certain bills in his possession, drops them in the morning into places like letter-boxes, and returns in the afternoon to learn the fate of his application. Ordinarily, the bills are discounted, as a matter of course; but in ticklish times—and these are the very occasions

when money is most needed by the trader—many a heart palpitates as its owner awaits the decision of the bank parlor. But still larger issues are occasionally at stake, when the representatives of great firms are ushered into the court, and explain the state of their affairs with a view to obtain exceptional assistance in order to tide over some great but temporary embarrassment.

"Let us now see the other great divisions of the bank. The issue department: Leaving behind us the first court which we entered from Threadneedle Street, with its red-mantled porters, and the detective in plain clothes who seems to idle his time over a newspaper in the doorway, we ascend half-a-dozen broad steps, and enter a hall where persons are getting notes exchanged for gold, or gold for notes, or notes for others of equal value. This is a public office open to all, whether customers of the bank or strangers. The chief applicants here are people who wish to exchange their notes for coin; and as these notes are handed in, their genuineness is carefully ascertained by an elaborate but rapid process of scrutiny. In the northwestern corner of the building, if you are provided with an order, you may see the manufacture, or printing of the notes; and in another room, you may inspect the stock of cancelled notes, which are preserved for ten years after being returned to the bank. Thus, as in the printing-office, there is always a stock of unfinished notes, still wanting the date, number, and signature; you may see the notes in embryo, as it were, before they are born, and also after they have been long dead.

"In the centre of the issue department, and in the very heart of the bank, you come into a glass-roofed

court; and standing on the landing-place of a flight of steps which leads down into it, you see below you men engaged in packing or unpacking the precious metals, conveying them into the vaults of the bullion office, or sending them away in vans. There you may see the precious ores in boxes as they come from the mines, or returning from the bank refiners in glittering ingots; the silver in blocks almost as large as a common brick, and the gold of similar shape, but only about an inch in depth; and finally, you may see them returning from the mint in the shape of coin packed in strong boxes. The packers toss about the ingots, or fill with bags of coin the iron-bound boxes, with an equanimity of indifference which seems strange to on-lookers, who have never seen the precious metals in quantity. The bullion vaults, as might be expected, are exceedingly strong chambers, and a guard of soldiers and policemen nightly keep sentry over the golden treasure.

"For the coin and bullion thus brought to it the bank pays either in its notes, or, as is generally the case, simply by placing the amount to the account of the depositors. Thereafter the coin or bullion no longer belongs especially to the depositor, but equally to every one who keeps an account at the bank, or who holds any of its notes.

"The bank is bound to give gold for all its notes on demand, and also, although this is utterly impossible, to pay all its deposits likewise in gold; but the persons who brought the gold have no other claim upon the bank's stock of the precious metal than that which is common to all the note-holders and depositors alike. The gold has been sold to the bank, and thereafter any one who

has an account with the bank, or who holds some of its notes, may draw upon its stock of gold at his pleasure.

"As you lean over the brass-topped balustrade, looking at the coming and the going of the precious ore, you witness operations which affect the whole business of the bank, and to a great extent also the whole trade and industry of the country. Every van-load of gold which enters or leaves that court causes a rise or fall in the value of money, by increasing or diminishing the amount of currency available for the requirements of the community. The reason of this is not obvious, but it is easily explained.

"The bank is authorized by act of Parliament to issue notes to the amount of 14½ millions sterling (£14,650,000) upon an equal amount of government securities which it holds; besides this, it is entitled to issue an amount of notes corresponding to the value of the gold which happens to be in its vaults. Hence the amount of money in this country is constantly varying. When much gold is deposited in the bank, the currency is increased; when little gold is deposited in the bank, the currency is diminished. What is of more consequence, the value of money on loan, the rate of discount, is affected to a still greater extent by every variation in the stock of gold in the bank's vaults. It is this latter process which invests with such critical importance the entrance or exit of the gold-laden vans through the gates of the Bank of England.

"In 'Currency and Banking' Mr. Bonamy Price remarks that 'up to the passing of this act, it was open to every bank or private person to put forth bank notes. One condition only was imposed as a guaranty of their

value—they were required to be convertible, payable on demand. Not to pay a bank note on presentation was an act of bankruptcy, and the issuer passed at once under the laws of insolvency.'

"There probably never existed a law whose meaning has been so vehemently and incessantly disputed, and is disputed still, as the Bank Charter Act of 1844. No one has accused it of obscurity of language. What it prescribes is most simple, easy to be understood, and equally easy of execution. No one raises a question as to what is legal, and what is not, under its provisions; yet the significance of the statute, what its enactments effect or do not effect, whether it is a revolution or beneficial law, are matters of the most differing and most bitter interpretation. It is regarded as the destroyer or the savior of trade.

"The act divides the Bank of England into two departments, one the banking department, the other the issue department. The latter is exclusively concerned with the issuing of notes. That operation is carried out under fixed rules laid down in the statute; and the vital point to observe here is that the corporation called the Bank of England has no voice, discretion, or control over the issues. In the issue department the bank directors have no more authority or right to speak or act than any other person in the kingdom. The banking department is the Bank of England, pure and simple, as private a bank as any other bank in the country. As such, as a private bank, it possesses two advantages—a very big customer in the government account, and a special benefit from the bank notes conferred on it by the law.

"The act limits the quantity of bank notes issued by private banks in the nation to the quantity existing at the time when the act became law. If any of these private issuers cease to issue, the bank notes assigned to them lapse, and the amount of the whole private issue becomes permanently reduced by nearly that amount. The Bank of England, the private bank so called, is authorized to receive from the issue department fourteen millions of notes, with a certain proportion of the lapse of private issues as they lapse. The quantity stands now at about fifteen millions. These bank notes the bank receives from the issue department, which in reality is an office of the state, on the condition that it shall give gold for them to the public whenever they are presented for payment. Of course this fact may be regarded as meaning that the Bank of England is a direct issuer of notes to the extent of fifteen millions; but it is far simpler and truer to look upon the bank as a receiver, for special reasons, of so many notes from the sole issuer, the office of the state, called the issue department. The bank is subject to the further condition that it shall invest these fifteen millions in securities on which it receives the interest. They are invested at three per cent.

"Bank-of-England notes are declared to be legal tender everywhere except at the bank itself; the bank cannot pay its debts with bank notes, as being legal tender. Any of its creditors may decline them.

"Every note is payable at the premises of the Bank of England, some out of its private resources, the remainder at the state office, called the issue department. The law further enacts that all the notes issued by the issue department beyond the fifteen millions shall be

covered for this payment by a deposit of gold kept in the department. The whole issue thus consists of two parts: one, now fifteen millions, assigned to the Bank of England, and payable by it; the remainder put forth by the issue department in exchange for gold given to it by the public, and kept permanently in the vault to guarantee convertibility."

In 1844–5 Sir Robert Peel settled on a wise principle the constitution of the Bank of England, and the constitutions of the private and joint-stock banks of England and Wales, of Scotland and of Ireland, as regards the function of circulation. The principal object of all his measures was to limit, and as soon as possible suppress, the circulation of country-bank notes, and replace them in the first instance by notes of the issue department of the Bank of England; but there can be no doubt his ultimate intention was to provide for the supply of notes for the whole kingdom from a single central government office as soon as possible. In 1844 it was not thought possible to suppress the circulation of the notes then in issue, but the first step was taken. A limit was fixed for the English and Welsh banks to the average issue of the twelve weeks preceding the 27th of April, 1844 (6 and 7 Vict., c. 32); and they were not allowed to issue notes beyond the maximum, even by keeping in hand gold coin equal to the whole of the excess. The consequence is that, notwithstanding the growth of population and trade in England and Wales, in thirty-four years the provincial banks have now only a note issue of four and a quarter millions, instead of the maximum issue of six and a quarter millions, assigned to them by the Act of 1844—caused partly by failure, and the prospective

clause in that act which provided that if any English or Welsh provincial bank commenced business in London, it should forfeit its right of issue at its country branches. This clause compelled the National Provincial Bank to relinquish a circulation of nearly half a million when it opened a London office. Yet no such penalty was imposed by the Act of 1845 on the Scotch or Irish banks; and of late years the Scotch banks have taken advantage of the omission in the act and opened London offices. This should be remedied, as there should be no partiality shown by the law; and the effect of the legislation generally, of the Act of 1845, has been more in favor of the Scotch banks than the English and Welsh; as the Act of 1845 (8 and 9 Vict., c. 38), by limiting the future note issues of the then existing Scotch banks to the average of the year ended on May 1, 1845,—viz., two and three-quarter millions,—and requiring for all notes issued in excess of that sum that the Scotch banks hold in hand gold for the same, virtually gave the monopoly of circulation in Scotland to the banks existing there in 1845, and has prevented the formation of any new bank. The permission to issue notes beyond the statutory maximum on condition of holding gold coin for the excess, has enabled the Scotch banks to keep pace with the growth of trade; and we find the note issue averages the last few years six and a quarter millions, or about three and a half millions in excess of what it was in 1845. The Scotch banks have made great progress from 1870 to the half-year ending June 30, 1878. Their paid up capital has increased from eight and three quarters to ten millions; their reserves from three and a half to five and a half millions; their note circulation from five and three

quarters to six and a quarter millions; their deposits from sixty to seventy-seven millions; and their acceptances from four to eight millions; or, in total, the banks increased their liability to their proprietors from twelve and a quarter to fifteen and a half millions, and to their customers from seventy to ninety-one millions. The Scotch banks have never paid so well as the English. Fully one fourth of the sums invested in the latter pay over 15 per cent., whereas 13 per cent. is an exceptional rate for a Scotch bank to pay, because they act more justly towards their customers, and pay "daily interest" on deposits, etc.; customers getting part of the profit made by the use of their money, the shareholders of course getting less.

The Bank of England has been very useful, but the time has passed for monopolies of any kind, however seemingly beneficial. *All* must be equal before the law, and subject to the same conditions. It is simply absurd to restrict either the Scotch, Irish, or provincial banks of issue, because they have a branch or branches in London. All banks wishing to do so, should have the power to issue notes if they give the necessary security and comply with the government conditions; but the security must be real, and must be deposited with the government; and power to issue notes not be permitted upon a banker's statement that he has so much gold in his coffers, unless the same be checked by a government official. The note-issue arrangement wants altering altogether, and notes by provincial banks should be at once abolished. Why should the York Bank have had the power to issue notes to the extent of £46,387 without security; or any bank be allowed for a day longer so to do? The

Scotch system has worked well; but times are altered, and the facilities offered by open credits, "overdrawn" accounts, etc., are greater than they otherwise would be, because of the "note" system. The spirit of the act is complied with in their issue, but the principle is broken. Sir Robert Peel intended, as with the Bank of England, that for every note issued there should be gold to meet the same lodged in the banker's vaults. The Scotch banks may have gold enough in their possession to meet the notes issued beyond their authorized fixed issue, but where is the gold to meet all their deposits and other liabilities? Or why should the Scotch banks have power to issue notes over two millions in value, without having in hand gold to meet them; or the Irish banks be allowed to issue to the extent of six and a quarter millions, and only have three millions of gold and silver in readiness to meet the same? The whole thing wants revision. The Act of 1844 was a compromise at the time with vested interests; but the power given to certain banks, whether solvent or not, to continue to issue an immense amount of "promises to pay" without any security whether they can do so or not, after the failure of the City of Glasgow Bank and the York Bank, etc., ought at once to be the subject of inquiry. No bank should be allowed to issue their own notes. Every banker should have the privilege of getting notes from the government office of issue, by depositing the necessary security; and the notes, like other promissory notes, should be stamped when issued by the government, and the stamp defaced when the notes are returned. All distinction between London banks and provincial banks, Irish or Scotch banks, should cease; and every banker be allowed to

open where he pleases, like any other trader. It is the duty of all governments on behalf of the people they represent to oppose and not to create monopolies. It seems ridiculous that an English provincial bank, because it is a bank of issue, must not have branches in London or its neighborhood; and thus bankers were naturally annoyed at the Scotch banks enjoying a privilege they were by law debarred from—a most unjust distinction. On the other hand, the London joint-stock banks naturally objected to opponents in their midst who had the advantage of using largely a spurious floating capital—viz., bank notes. The private banks of course object to unlimited- or limited-liability banks. But competition is the best protection for the public, and private interests must succumb to the national good—with banks as others.

Credit is universal; it is another word for lending goods on trust—a system of deferred payment. It is a system of business of immense utility, and quite justifiable with manufacturers, merchants, and all wholesale operations. Great sagacity is needed to understand who to trust, how much to trust, when to cease trusting any one. It has its drawbacks, tempting men to overbuy when houses foolishly, recklessly credit weak houses as if they were strong, or tempt people by dating on and too long credit. But there are advantages connected with the system of great value. Banking is essential to the credit system; the credit could not be given without the aid of the banker. The manufacturer or wholesale merchant sells the retailer goods to be paid for in a clear month, and then if the retailer cannot pay, he has to give a bill at three or four months' date. The banker takes the

bills, and thus relieves the merchant from having to wait till the bill is due. Banking, you will perceive, is a machinery for lending money in anticipation of these deferred payments; and bankers by this action enable a vast increase of industry and trade to be developed. But distinctly understand, lending and exchanging do not *create*, but simply place wealth in different hands. Credit is simply deferred payment; bills of exchange simply enable the creditor to transfer his debt to his banker; but they are, one and all, parts of a complicated system, through buying on credit, instead of buying with money. A banker is a dealer in money; he is an intermediate party between the borrower and the lender. There may be said to be two great divisions of England: the rapidly growing districts, or the rising men, who can easily employ any amount of money; and the stationary or declining districts, or the men who have retired, who have more money than they could use. So the banker borrows of one party and lends to another; and the difference between the terms at which he borrows and those at which he lends forms the source of his profit. A banker is useful, because he draws out of the pockets of the people their reserve cash that would otherwise be idle, and puts the same into active operation; money that would have been unproductive in the hands of private individuals becomes by means of the banker productive, by furnishing accommodation to those who have need of additional capital to carry on their commercial transactions. The banker is a broker between two principals, and charges his commission for the service he renders; but there is this important distinction: the banker takes all the risk; if the man he lends

the depositor's money to does not pay him, he is compelled to restore the sum deposited to the depositor on demand. So, to understand his function, it is best to regard the banker as a dealer, a buyer and seller of money; and as correct banking is of the utmost importance, it being a branch of trade that is intimately connected with every man's business, the subject of money and of banking should be more attentively considered and thought of by the people at large. Banking is both an art and a science. The knowledge of it as a science may be acquired like that of other sciences, by reading, observation, and reflection.

But the art of banking, as of every thing else, can only be acquired by serving an apprenticeship thereto; and when you consider how few persons there are who can invest their own spare capital wisely and profitably, you will have some idea of the peculiar and special qualities necessary to manage banks like the London and Westminster, Union, Joint-Stock, etc. The responsibility of receiving money on deposit when people like to give you the same, and of finding safe and remunerative channels for the same, to invest very large sums of money at all times, so as safely to see a profit and yet pay the depositors the current rate for money on deposits, is a very serious and responsible position for any man to fulfil, and needs a man of sound common-sense, of practical mind, with well defined principles of action for his guidance, as there is no time for deliberation. A wants to deposit, B wants to borrow; you must know whether it is policy to receive or refuse the deposits, whether it is safe to grant or refuse the loan, whether to take all the bills offered, or if it be necessary carefully to scrutinize

and reject some; whether the borrower is to be helped upon the best, or upon what terms you should lend; whether to lend for a specified time, taking the customer's bill and holding his deeds as collateral security, or to open a loan account, and if so, how far with safety you can lend upon the securities that he deposits with you. He has also to calculate how much money to keep invested in exchequer bonds, consols, and other government securities, and how much cash to keep in hand to meet the current demands of the head and branch offices.

The banker should be a thorough man of business, possessing the valuable combination of a number of qualities, not in themselves individually of a striking character, but rare only in their combination in the same person; the possession of a well balanced mind, giving that wisdom we call common-sense, which can only arise from the due proportion of all the faculties. If you consider the number of bankers that fail in proportion to the small number of banks, you will agree with me that to be a good and successful banker requires qualities as rare and as important as those which are necessary to attain eminence in any other pursuit. Banking is profitable because it is carried on chiefly with other people's money. They borrow of A under the bank rate, and lend to B at or above the bank rate; they pay interest to A, the lender; at the end of the six months, they deduct it from B, the borrower, when they lend him the money. But their capital, upon an average, is not one twentieth part of the money they hold of other people's; and if they can lend to others what is lent to them, unless they by want of judgment make bad debts, banking

must pay a large interest upon the share capital, as they have also the advantages of the accumulated balances of all the current accounts; so that there is a certain profit upon all money lent to them.

The chief source of a banker's profits arises from his facilities for, and skill in, investing the aggregate of the sums entrusted to his care, yet so placed as to be readily available in case of need or an emergency. This is the most difficult part of the matter; it is easy to invest, but not to do so and be able to realize at any moment without loss. Still the banker's profits will depend upon the moneys entrusted to his care, and it follows, therefore, that within certain limits it is the endeavor of every banker to increase the deposits to the greatest possible extent in every legitimate way. Depositors may roughly be divided into three classes. First, the large class, really the backbone of any banking system, those who, too timid to trust their capitals to investments in railways, foreign bonds, or such like fluctuating securities, deposit their money with a banker, satisfied at receiving in return interest at the rate of one per cent. under the Bank-of-England rate, or the rate agreed upon and advertised by the leading joint-stock banks. The second important class of customers, on which to a large extent the prosperity of a bank depends, consists of merchants and others, who, for the sake of the convenience of their business, leave in their bankers' hands a balance, paying in and drawing out daily, but always leaving a balance, and the bankers being compensated for their trouble by allowing no interest on the balances of such accounts. Large permanent balances yielding no interest are not to be expected, but in the aggregate an approximate sum

may be relied upon, as it is only the few keen business men who study finance, or know the value of money, and therefore use it, making what they can of it as they get it; the majority wait for their regular pay days, whilst others will lose their discount with a creditor rather than reduce their balance. It is very pleasant to know you have a good balance—the banker has no objection; but economically it is a great error of judgment, it being much wiser to *anticipate* and *prepay* your creditors if you have, or when you have, any sum at your bankers beyond what is needed for the necessary balance. The third very numerous class, especially in the provinces, is made up of those traders in a small way of business who keep a banker because it looks well, but whose capital does not enable them to keep the necessary balance required by bankers, and for the accommodation a "yearly commission" is charged. This commission ought to be as low as possible, as it is policy to encourage all traders to keep a banker and deposit daily the sums they receive with their banker. In Scotland interest is given on all balances, and the "canny Scotch" are taught how "siller will breed siller," for the total deposits of the eleven principal Scotch banks exceed the respectable aggregate of eighty millions sterling—a most convincing proof that "many a mickle will make a muckle." With bankers, as with traders, the generous policy will always tend to their profit. Equitably, it seems that beyond a fixed minimum balance, interest should be allowed on the residue, and interest charged when balance is below the sum fixed as the minimum balance necessary to pay the bankers for keeping the account.

It is of great advantage to a country for its people to

be able to take their money and deposit it safely, and be paid for its use by others when it cannot be used profitably by one's self. Bankers thus get the power to lend money. And my own experience will be confirmed by others, when I say that any honest, solvent man can borrow of his bankers more willingly, more pleasantly, and at a less rate of interest than he can of father, brother, or friend. To manufacturers and commercial men the banker is truly the "friend in need": if you deserve his confidence he is ever willing to give it; and he is the very antithesis of Shylock, a veritable Portia in his judgment, taking your word and helping you to an extent that can only be appreciated by those who have tried other sources and found them wanting. The banker is not only useful to the individual—he does good service to the state by increasing the productive powers of capital, viz., by economizing the capital already in a state of employment; by the system of deposits, he gives employment to capital that would otherwise be, at all events temporarily, non-productive; by the issue of his own notes, he virtually creates capital by the substitution of credit. Banking therefore promotes the prosperity of the country, by increasing the amount and efficiency of its capital. In the history of commerce we find no principle more firmly established than this, that as the capital of a country is increased, agriculture, manufactures, commerce, and industry will flourish, and where capital is diminished these will decline. The man who attempts to annihilate any portion of the capital of the country in which he dwells, is as forgetful of his own advantage as the miller who should endeavor to dry up the mountain stream which

turns the wheels of his machinery, or the farmer who should desire to intercept the sun and the showers which fertilize his fields. So the banker must be held in respect, and have a people's confidence, as it is essential to the prosperity of the nation that the people generally have faith in him, and will hasten to open accounts or deposit their surplus money with him. Individually they may be of small amount, but collectively they make a considerable sum, which the banker employs, must employ, for his own interest, in granting facilities to those who are engaged in trade and commerce. Thus these little rivulets of capital are united and form a powerful stream, which propels the wheels of manufactures and sets in motion the machinery of industry.

The *Economist* puts the estimated deposits of banks in the United Kingdom at the following dates: Bank of England stated separately:

		Bank of	
Say autumn, 1878:		England.	In all say
£	£	£	£ £
527,000,000 or	530,000,000	24,000,000	550 to 560,000,000
Say spring, 1879:			
460,000,000 or	470,000,000	38,000,000	500 to 510,000,000

This is an approximate estimate of the deposits held by bankers throughout the United Kingdom, not exact, but to be understood generally as showing the position of banking deposits at the two periods stated. The figures indicate clearly the want of confidence generally; the deposits in the joint-stock and private banks being, in the spring of 1879, *60 millions less* than in the autumn of 1878; but the deposits in the Bank of England are

14 millions in excess—an increase of over *one third* of money deposited simply for safety, bearing *no interest*, and the greater part of the residue, no doubt, being kept by people themselves; the failure of the City of Glasgow Bank having caused a general mistrust of bankers. That this is so, the diminution in deposits with the Scotch banks affords conclusive evidence, as the deposits with Scotch banks were:

May 18, 1878	£78,000,000
October 19, 1878 (including City of Glasgow Bank, £8,000,000, and Caledonian Bank, £1,000,000)	78,000,000
May 17, 1879	67,000,000

Or 11 millions less in seven months; and allowing £9,000,000 for the City of Glasgow and Caledonian banks, there is still a diminution of two millions in the deposits. This want of confidence is a serious matter, as the increase of deposits, the development of banking, is essential to our progress; it has helped us the last forty years more than any thing else, and to banking we must look for help in the future.

Every one should keep a banker. Your money is lodged in a place of security, and you avoid all anxiety as to loss, as money is never safe in one's pockets, and it is not prudent to keep more in the till than is absolutely necessary, or after business hours. To all those who may reply, they can do without a banker, my answer is, you can do much better with one. The saving of time is an important advantage, as it enables you to pay all accounts by check, and transfers the trouble of the real payment to your banker. But the most important point is, its acting as a check upon your cash

account. I advise every man, whether in trade or not, to have a banking account, and to pay into his banker all the sums he receives during the year, and never to pay anybody an account except by a check upon the banker, drawing checks for his personal expenses, or adding the same to his petty cash check drawn weekly, and accounted for in his books. The banking account will thus be a record of all the cash received, the cash paid, who to, and what for, during the year. I was consulted recently by a gentleman who had lent a "friend" nearly two thousand pounds, and nearly seven hundred pounds of which he could render no account of. I asked him to lend me his "bank book," and by it was enabled to make out the account and prove the claim.

Assuming you have made up your mind to keep a banker, the next thing to do is to determine at what bank you will open your account. Nearly every man has a prejudice for or against some particular bank; but we have so many first-class joint-stock banks now of nearly equal merit, that the wiser plan is to select that bank or branch of a bank nearest to your place of business holding the position of the London and Westminster, or Union, or National Provincial. As time is money, when making a decision, you must remember the time taken up in going to your banker, and the greater probability of loss the farther the bank may be from your place of business. There are times in nearly every one's career when it is essential that his creditors and bankers have implicit faith in him; when it rests with them, by helping or refusing to help at a crisis in one's faith, to materially help forward or retard your progress, or perhaps save you from ruin. Many a house of good standing in times

of panic needs a helping hand, or, at all events, they do not want the help hitherto given freely to be restricted or withdrawn by their banker, or their credit shortened by their creditors, at these critical periods. Therefore, I advise every one to be open and straightforward alike with their creditors and bankers; and in opening accounts with either, or when starting in life, to tell them plainly your position, and never represent yourself to be a richer man than you are; accept no bills you are not likely to meet,—better ask for a month longer before so doing, if there should be any doubt; and never discount with your banker any bills that are not likely to be paid when due; and remember, you must so arrange your own balance that if any bills be dishonored you can repay them yourself. Never overdraw your account, and before opening discount account or loan account, see the banker or manager yourself, and have a distinct understanding with him as to the terms on which he will discount your bills, whether at bank rate or half per cent., or one per cent. above rate; also the amount of loan, and rate of interest, and if it can be renewed, or when to be repaid. Men with a large business to attend to, or bankers, are fully occupied, and when you call upon either upon any subject of importance, be punctual; keep to the object of your visit, proceed to the business you have called about, and, as soon as it is over, leave. Remarks about weather, news of the day, etc., indicate a want of earnestness, as though the mind was not sufficietly firm or earnest about the matter in view. "The tree is known by its fruit; men do not gather grapes from thorns, or figs from thistles." A bank is an institution for the transfer of debts; herein, so far as the

nation is concerned, is its principal value. People talk of money being cheap or dear, abundant or scarce, forgetting that banking transactions may be enormously increased or diminished without any change in the quantity of money circulating. Banks principally deal in checks and bills of exchange. These are the results of sales or purchases. Every one of those paper transfers at their origin denote property bought and paid for; every man who gives a check or a bill has bought something in exchange; and every man who gives the check or bill to his banker has previously sold something, and hands the paper to his banker to collect the payment for him, and then he in turn buys and orders the banker to pay for the purchase out of bills or checks previously deposited with him. The resources of banks proceed from goods sold, of which they collect the payment. So you will perceive it is still barter, but of a higher kind. Goods still buy goods; one set of goods is exchanged for another, either with money as the medium, or with the intelligent medium, the banker, who is made to take the place of, but acts precisely as, a sovereign; he is an instrument of exchange. He transfers, like the sovereign, purchasing power from A to B. He receives the check for which goods have been sold, or a debt to collect, and passes it on in the form of a debt he creates. That purchasing power resides in the goods sold, directly or indirectly, by the banker's depositor. It is because the depositor has sold corn that the banker is enabled to authorize the merchant to buy tea.

Banking may be defined as the power that enables A, who has a balance to-day, to lend it to B, who is short, and that lends to A, when short, the balance of B. Its

main value consists in its holding the collective balances and utilizing them ; and the power is greatly increased by the clearing-house, one of the most important collecting agencies ever introduced ; the checks upon each banker being collected, debited, and credited, and a check for the balance given. Thus we see the bank is an intermediate agent, like money itself—a medium of doing the work of money without having to use it. A sells corn, and not wanting the money, does not lend it himself, but gives it to his banker, who does ; B wants to buy tea, but has not the money, only bills by him ; A would not lend his money to B, but the banker does. In reality it is A's money that is lent. The banker is the broker, who finds a borrower ; his profit is the extra discount he charges B to what he pays A. A has paid the sum in by check, B draws it out by check ; both checks go to the clearing-house. Thus you see the value of banking ; it is a benefit to A and B and a profit to the banker, and no metallic money is needed in the matter. You must distinctly understand this : the great value of banking is its action, being similar to, but doing without the aid of, coin. But the only true definition of banking is that it places property in different hands. So you will at once perceive that the ability of banks to assist trade and the rate of discount do not depend upon bankers, but on the state of the wealth of the country, and in the effect which it produces on the two principles which the bank has brought together. The banker's value is in the opportunities his position affords him to select the men into whose hands the wealth moved by his agency is to be committed. He neither created the wealth which his depositors sold, nor does he touch that other wealth

which his borrowers purchase ; but it signifies immensely to what sort of borrowers he gives the means of buying, by empowering them to draw checks upon his bank. (Overend, Gurneys, the City of Glasgow Bank, the West of England Bank, failed from this reason, and they prove the power in the hands of bank managers and directors.) Upon the judgment of the banker will depend whether the bank fails or grows, pays fair interest to its shareholders, or ruins them ; and on him also mainly depends whether the money be advanced to men who will use it wisely or recklessly, whether it be lent to men who will use it as capital in processes which reproduce its consumption, or to men who will waste and destroy it in prodigal expenditure, unskilful trade, or in reckless speculation in business, in unprofitable mines, or in making railways, where they cannot for a long period of years reproduce to the country the food, clothing, and material their construction consumed. He is not the capitalist the vulgar herd imagines ; his capital is trifling, insignificant. The public must not be misled by the capital of a bank ; it all depends on the *man* with whom rests this mighty power of *selecting* the men to whom the country's wealth shall be entrusted—a glorious position, needing, if not a genius, a man of clear perception, sound common-sense, and great moral power.

The Americans tax the capital of their banks ; the English tax their notes, their bills, their bonds, their transfers. The latter plan seems preferable, as the banks are taxed in proportion to their business ; but the duty is too heavy upon the transfer of shares in joint-stock banks. It seems hardly fair that a transfer of shares in a

joint-stock bank should pay the same tax as a transfer of a landed estate of equal value. The estate will probably not be sold again for a lifetime ; the shares in the bank may change hands several times in a year. If the tax were lightened, the transfers would be more numerous, and possibly the revenue more productive.

There is hardly any single description of taxes more hurtful, especially to a commercial country, than taxes upon the transfer of property. Commerce and trade consist in the transfer of commodities ; and in proportion to the amount and frequency of these transfers, trade will be found to flourish and the nation to improve in wealth. The imposition of a tax, therefore, upon such transfers would have the obvious effect of diminishing their amount, and rendering them less frequent, leading, of course, to a reduction of trade and of national prosperity. Adam Smith says that one cause of the decline of trade in Spain was the imposition of taxes of this description.

But of this class of taxes, the most injurious is that which is laid upon the transfer of shares in joint-stock banks. A landed estate, for example, is not transferred more than once or twice in a lifetime ; shares in banks may be transferred every week, yet upon each transfer these shares must pay the same duty as the law exacts upon the transfer of an estate of equal value. A tax upon bank shares is a tax upon productive capital, and is as indefensible in principle as a tax upon the transfer of bales of cotton or casks of tallow. It has been said, that if there were no tax upon the transfer, people would buy bank shares with a view to sell them again at a profit. Do not people buy cotton, and tallow, and silk,

and indigo, and tobacco, and a thousand other things, with the view of selling them again at a profit? Do they ever buy things with a view to selling them again at a loss? If it be true, then, that all purchases are made with a view to a profitable sale, why tax the transfer in one case more than in another?

Another objection to this tax is, that it is a tax upon the instruments of improvement. Wealth is a legitimate subject of taxation, but to tax a means of wealth is to strike at the very elements of the national power. For instance, what would be thought of the statesman who should propose to levy a tax on the plough of the farmer or the shuttle of the weaver? So canal companies, and railway companies, and dock companies, and steam companies, and banking companies are the implements by which prosperity is produced; and to levy taxes upon them is very much like the policy of the man who killed the goose that laid the golden eggs. Domestic investments should not be placed in less favorable circumstances than foreign investments. At present, Dutch, or American, or even Spanish bonds can be transferred one hundred times a day in our market without paying any duty whatever, while the transfers of shares in any of our own public companies are heavily burthened; and hence it is that large capitalists are not to be found extensively engaged in these investments. They naturally prefer those securities that can be realized immediately and without expense. If the transfers of shares in these companies were as exempt from charges as transfers in the government funds, how many millions, now invested in the hazardous bonds of foreign countries, might be drawn back to be em-

ployed at home in stimulating the rewards of industry and quickening the operations of commerce! Banks also contribute to the state by the stamp duties paid on cash credit bonds, surety bonds, and other legal instruments; they also greatly increase the revenue from the stamp duties on checks and bills of exchange.

Banking, you will perceive, is a very useful agency for the great work of exchanging wealth; its two great instruments for transferring the ownership of wealth from one man to another are checks and bills of exchange; by this means a smaller number of coins are required. Their object and aim are to diminish the quantity of metallic money required. They supply us with enough money to carry on the cash business, and no more, as all surplus cash is at once returned to them. As we progress in morality, and the higher the commercial development, the more willing are the owners of goods to part with them for checks and bills. Every extension of this principle of deferred payment, helped by good book-keeping and the action of such institutions as the clearing-house, renders less money wanted for the country's commerce; and so the brain by its thoughtful arrangements provides a substitute for metallic currency. If every man had a banker, very little money would be wanted; the nation's payments would be solely a matter of book-keeping, of debiting and crediting by means of checks and bills of exchange. It is by their means that England, in comparison with her wealth and trade, needs and uses less metallic money than any other country in the world. If equal to the times we live in, we shall extend this "economical power," and increase our note issues upon the government security basis; teach our people to

understand the value of banks, what money is for—to be used, not kept idle in boxes or their pockets; and extend the clearing-house system; for principally by these three means you may increase the trade and commerce of the country, so far as they need the help of a medium of exchange, to any extent. Nothing stops us, nothing causes depression of trade, but our own ignorance and want of judicious industry, and a wiser system of production and distribution. Gold should be a blessing to us, not a curse. All trade is an exchange of gold, I grant you, for money as a medium; but, as Adam Smith has well remarked, England (or any other country) can replenish itself with gold from abroad if she has the wherewithal to pay for it. Gold is a commodity to be bought with other articles, like any other article; and as all articles are exchanged for money, gold can be had to the extent needed for foreign trade if the proper means are taken to secure it.

Banking is, briefly, the economy of capital, the economy of money. Every year we discover new forces, or bring others under the control of man; but of all the inventions of which necessity is the stern mother, the inventions of economy are the most prominent, as they are the most useful, at the present day. To hold our own, we must carefully gather up what our forefathers threw away; we must learn to appreciate what they neglected or despised. "Waste nothing," is the keynote of our material industry. Just as the farmer turns even the weeds to account, as a manure for the fields which they encumbered, so in all things we must utilize "refuse," and see that every thing is of use, if we take it to the right place and put it to its right use. We can only hold our own against

foreign rivals by learning the lessons past experience has taught us; we must be more thoughtful, be more economical, avoid losses; try for making the many small gains instead of aiming at the few large ones.

It is incumbent upon us to utilize all the neglected resources we possess, and trust, as the basis for maintaining and extending our power, to the accumulative and concentrated appliances of a thousand forces or savings within our reach, each trifling of itself perhaps, but capable by wise economy thereof to promote the nation's greatness and wealth. Our people must learn to be men of business—must learn that the high morality of "putting yourself in his place" and "doing to another as you would be done by," in all transactions, is the height of wisdom, proved by experience, as it is the only real proof of a nation's religiousness, the consummation of, and positive evidence of, a people's real worship. They must learn about banking, about "money," about the bugbear "currency," as it is only by such knowledge they can learn how to economize the force of money; and I maintain that the knowledge by the nation how to cause this economy of their capital, would act like new gold mines, as an agency to give to commerce an expansion it so much needs. There has been latterly a strong feeling of mistrust in the public mind respecting banks, and I have therefore deemed it advisable, perhaps at too great length, to bring before the public notice some of the advantages of banking.

EXCHANGE.

The exchange trade is carried on by a small and special body of foreign bill brokers, of whom Messrs.

Rothschild are the greatest. Messrs. Rothschild are immense capitalists, having also much borrowed money in their hands; but they do not take £100 payable on demand, and pay it back in checks, like an English banker. The borrowed money which they have for use is deposited in large sums, borrowed for terms more or less long. A foreigner thinks "an exchange business," —that is, the buying and selling bills on foreign countries —a main part of banking. English bankers deal with an aggregate of small sums, all of which are repayable on short notice, or on demand.

The following will explain briefly, but I think clearly, what the "loss by exchange" is; the "gain by exchange" will be the reverse of this—viz., when there is a "gain" instead of a "loss":

A customer writes us, April 28, 1879, that he has not been able to order for some time past, the rate of exchange being so high, and when he sends this indent the exchange is 24¾; viz., for every £100 he remits us, he has to pay 1,247½ rupees instead of 1,000, and the ordinary cost of remittance. There is no mystery in the way of calculating the loss of exchange. Taking arbitrary figures for the purpose, it is as follows: To remit £100 at 2*s.* the rupee, 1,000 rupees are required; but if the rupee is reduced in value in India in relation to the value of silver as against gold, say to 1*s.* 7*d.* the rupee, 1,263 rupees are required. You will at once perceive the difference between a favorable or adverse rate of exchange, if you imagine yourself in India and have to find 1,263 rupees instead of 1,000 before you can remit £100 to London for gold, etc. The loss is represented by the excess number of rupees required to be sent home at the

rate of 2*s.* the rupee, and therefore the sterling loss is 263 multiplied by 2*s.*, or £26 6*s.* upon every £100. The government accounts are calculated upon this principle, and would be represented by a larger sum, only that the loss is not in comparison with 1*s.* 7*d.* against 2*s.* but of 1*s.* 7*d.* against the average rate of exchange for some years past—viz., 1*s.* 10½*d.* Taking the whole amount of the remittances required to meet the home charges for 1879, and taking the rupee at the rate of 1*s.* 7*d.* as compared, not with 2*s.* but with 1*s.* 10½*d.*, the real loss to India is £3,130,000 sterling. But as it was only proposed to remit 15 millions, the real loss will be 2¾ millions. Contrast this fearful increase of expenditure against the loss of "exchange" for the four years before the heavy fall in 1876, when the net average annual loss was £432,000.

From Mr. Bonamy Price's able work, "Currency and Banking," I extract the following: "Gold exercises a most valuable function in liquidating the balances of international trade. All trade, as between individuals so between nations, is an exchange of property, of wealth, of goods. Every nation buys abroad with its own products, its own goods; it has nothing else to obtain its purchases with. When a country has mines of gold, gold passes as a product, just as cotton or wine. If the buying equalled the selling every day, as would happen with direct barter, the accounts would always be balanced of themselves; but as purchases and sales with one single foreign country are not always equal, there remains on a given day a balance to settle, and that is done with an export of gold from the country which bought most to the country which has sold most. At times this differ-

ence is large, as when a bad harvest or famine urges on immediate and large purchases of food, and sufficient gold at the moment might be difficult to procure. But the machinery of modern commerce here comes in aid; bills—which are only deferred payments—are brought into play, and often before they are due, the balance has been corrected with the export of goods. In any case, as Adam Smith has well remarked, England can replenish itself with gold from abroad, if she has the wherewithal to pay for it. Trade never is any thing else at last but exchange of goods."

International payments require the currencies of different countries to be compared with one another. Each country sells upon prices estimated in its own money; hence in international exchanging two accounts have to be settled together, each expressed in different moneys. How is the position of each towards the other to be calculated? They must be reduced to a common measure, to gold. French napoleons and francs must be converted into weights of gold; so must the English pounds and shillings. This operation is carried out by expressing the coin of the one country in the coin of the other. The weight of gold in an English sovereign is compared with the weight of the same metal in French francs, calculated on the basis of the weight of gold in the twenty-franc piece, the napoleon. The discovery is made that twenty-five francs, and some $\frac{11}{100}$ more, express the same weight of gold as the English sovereign, and this equality is called the par of exchange. When the exchange is at par, a man who has an English sovereign can obtain these francs, and *vice versa* these francs will get a sovereign. A bullion dealer who bought

two heaps of sovereigns and napoleons on this basis, and melted the gold into ingots, would get exactly the same ingots from each heap.

But exchange seldom stands at par between two countries, for a very sufficient reason; the buying and selling are seldom equal on the same day; the difference, as explained, they agree shall be liquidated in gold. Now to send gold involves a charge for carriage and insurance; and the man who has to send it will avoid this charge if he can; so we find that goods purchased in foreign countries, all except the small balance liquidated in gold, are paid by the exchange of debts, by bills. The English debtor pays his French creditor by sending him a bill due by a French debtor for English goods sent to France. Practically, one nation buys up the bills on the other, and settlements between the two countries are made by an exchange of bills. If the purchases in the two countries are equal, so will be the bills created by them; if not, the debtor unable to find a bill has to send gold, or, as is generally the case, he offers for a bill rather more than its value in metal at the par of exchange. If France owes us more than we owe her at any given period, the French debtor has to pay, say, 25¼ francs for a pound, due in London, rather than send gold. If England owes more to France than France to England, at any period, the English debtor in London will be eager to obtain, and compete with others to buy in London, a bill due by a Frenchman in France; and he will give a sovereign for 24¾ francs to be paid in France. In the former case the exchange is said to be in favor of England; the Englishman gets a quarter of a franc more than the gold of his pound at par. In the second

case, the exchange is pronounced unfavorable; the Englishman gets less gold in 24¾ francs than he gave away in his pound. So you perceive that a favorable exchange means that England has sold more than she has bought, the same not being able to be settled by the ordinary bills, she has a balance to receive in gold. As gold is costly to transmit, what bills are to be had are sought after, and fetch more in consequence; and an unfavorable exchange means the reverse; she is the loser by the exchange of bills needed for the settlement.

But the exchange will not rise above par, beyond the cost of carriage and insurance for the transmission of gold. If it costs half a franc to send a pound's worth of gold to England, the Paris debtor will accept an exchange which makes him give 25½ francs for a pound, to be paid in England; but he will refuse one of 25¾, as it would cost him less to send the gold.

Another popular fallacy is that of favorable exchange, meaning thereby we have sold abroad more than we bought, and had to receive gold for the balance. The expression implies an ignorance of the very nature of all trade, and is made by those who ignore the fact that men sell to have the power to buy; that all trade is only an exchange of goods, and the greater the power to procure goods of foreign countries, for use and consumption, the better.

We only sell for gold, because it gives us a ready means to buy other goods. It is the goods we really want, not the money; hence the terms, favorable and unfavorable exchanges, are misleading, but still exist, in spite of their refutation by Adam Smith.

The delusion is based upon the absurdity that to sell

is every thing—get gold for your goods ; whereas to sell without buying is to convert a man into a Midas, and to make him perish amid piles of gold. The value set on favorable exchanges Mr. Bonamy Price considers the greatest intellectual and literary wonder of our age.

All persons interested in "Exchange" should carefully read Mr. Bonamy Price on "Currency and Banking," and "The Theory of the Foreign Exchanges," by the Right Hon. G. J. Goschen.

INTEREST.

Interest on money is a refined idea, and not a universal one. Not that this implies that interest ought not to be charged, but that the majority of persons in most countries do not appreciate it. Most savings in most countries are held in hoarded specie. In Asia, in Africa, in South America, they are thus held, and it would frighten most of the owners to let them out of their keeping. A modern Englishman assumes as a first principle that he ought to be able to "put his money into something safe that will yield five per cent." ; but most saving persons in other countries are afraid to "put their money" into any thing.

That part of the business of banking which consists in the lending of money lay, during the Middle Ages, under severe restraints. The taking of interest for the loan of money was deemed sinful, and stigmatized with the name of usury. This opinion appears to be wholly unwarranted, either by the principle of natural equity or the enactments of the Mosaic law. "The taking of interest from Israelites was forbidden by Moses ; not, however, as if he absolutely and in all cases condemned

the practice, for he expressly permitted interest to be taken from strangers, but out of favor to the poorer classes of people. The further we go back towards the origin of nations, the poorer do we commonly find them, and the more strangers to commerce; and where this is the case, people borrow, not with a view to profit, but from poverty, and in order to procure the necessaries of life; and then it must be, no doubt, a great hardship to give back more than has been got. The taking of interest from *strangers* Moses has not only nowhere forbidden, but even expressly authorized. Hence it is clear that he does by no means represent interest as in itself sinful and unjust. Political economy demonstrates clearly that "thrift," or the accumulation of capital by a nation, depends on what profit can be obtained by self-denial, the reward of abstinence." In "Paper Money," Mr. Harvey denies that capital is the result of saving, and says the absurdity of stating that the only way of adding to the capital of a country is to save money, arises from our confounding capital and money. According to his theory, "the problem of life is to consume much and produce much." With this I cordially agree—no one is more anxious that the mass of the people should have more of the comforts of life; but to obtain this, they must not be misled by those "false friends" who tell them to limit the produce of their labor, but be guided by their "true friends," who advise them to produce all in their power. Mr. Harvey agrees with Mr. Ruskin, that thrifty people, accumulators of capital, are "worshippers of Mammon, and servants of the devil." If you have read my books, you will have noticed my contempt for the accumulator, who is actuated

solely by his love of gold—whose pleasure is in the thought of his possessions, which yield gratification to his miserly soul; but we must not ignore the fact, that the wages for next week, or month, or year, depend solely on the *savings* of the week, month, or year that preceded; that the very existence of society now depends upon those who "think of the morrow," upon those whose "savings" of to-day are the "seed" for to-morrow; and that capital, if not money, represents in loans, debts, or produce a right to money, a right to have when wanted an equivalent for what it abstained from using and lent to others. Capital is a "deferred payment," a debt payable on demand, and until demanded, is entitled to interest, in proportion to the risk incurred in lending it. Any such prohibition of interest in our age and country would, without doubt, be unjust towards lenders and destructive to trade of every description. Among all the remnants of ancient laws it would be difficult to find one which, in the present state of society, it would be more foolish and hurtful to revive and enforce. It could only suit a state so constituted as was that of the Israelites by Moses. The taking of interest for the loan of money was first prohibited in England by Edward the Confessor. This law, however, appears to have become obsolete; for, in a council held at Westminster in the year 1126, usury was prohibited only to the clergy, who, in case they practised it, were to be degraded; and in another council, held twelve years afterwards, it was decreed, "that such of the clergy as were usurers and hunters after sordid gain, and for the public employment of the laity, ought to be degraded." The earliest mention we find in English history of a certain

yearly allowance for the usury or interest of money is in the year 1199, the tenth and last year of Richard I. In this case the rate of interest was 10 per cent. This appears to have been the ordinary or market rate of interest from that period until the time of Henry VIII.; but there are many instances on record of a much higher rate of interest being taken, especially by the Jews and the Lombards, who in those times were the principal money-lenders. The exorbitant interest taken by them is supposed by eminent writers to have been the cause of the prohibition of usury.

In the year 1546, the taking of interest for money was made legal in England, and the rate was fixed at 10 per cent. This act was repealed in the year 1552, but it was re-enacted in 1871. The legal rate of interest was reduced to 8 per cent. in 1624, and to 6 per cent. in 1651. In the year 1714 it was reduced to 5 per cent., where it now remains. The legal rate of interest is still 6 per cent. in Ireland.

After the taking of interest was sanctioned by law, the term *usury*, which was previously applied to interest in general, became limited to denote a rate of interest higher than that which the law allowed. Mr. Gilbart says: "Erroneous views are often entertained of the Mosaic laws, from neglecting to consider the state of the people to whom these laws were given. It was the object of the Jewish legislature to make the Jews a purely agricultural people. The promotion of agriculture was, as Montesquieu would say, the *spirit* of his laws. Hence he prohibited the taking of interest for the loan of money. By this means he interdicted commerce. His design was to prevent the Israelites from associating with the

surrounding nations, and learning their idolatrous practices. But even Moses permitted the Jews to take interest for the money lent to strangers—a circumstance which proves that the prohibition was only a political and not a moral precept. If the taking of interest for money were really wrong, it would have been forbidden in all cases. But in the Middle Ages the political and the moral laws of Moses were confounded together, and all of them were supposed to be of perpetual obligation upon all nations. These opinions, which might have been useful in a purely agricultural state, were still indulged when a change of manners required that this country should become commercial. If we admitted the unlawfulness of taking interest for money, we might on the same principle condemn all kinds of commerce, and even all profitable investment of capital. Where is the difference between taking money for the use of money and taking money for the use of commodities that are purchased with money? If I lay out £100 in the purchase of a house, I am allowed to take rent for the use of that house. Why, then, if I lend to a friend the £100 with which he purchases a house, am I to receive no remuneration? If we are not allowed to receive any money for the loan of money, why are we allowed to receive money for the loan of a house or coach, or any other article? An exorbitant charge for interest is certainly unjust, but so is an exorbitant charge for any thing else. Money is a necessity. A merchant having bills to meet must find it somewhere, at some price. It is this urgent need of the whole body of merchants which runs up the value of money so wildly in a great panic. On the other hand,

money easily becomes a "drug," and there is soon too much of it, and we are told in the money articles daily that "bills" are not to be had, and then the value of money is very low. These fluctuations are caused by a slight excess of, or a slight deficiency of, quantity; but the rate of interest depends upon supply and demand. When the supply is thought to be inadequate for the demand, all are eager to secure it, and the moneyed interest naturally charge a higher rate for the use of it. I do not believe in a scarcity of money; it is the panic that gets into the minds of men at certain epochs, destroying all confidence of man in man; when the most wealthy houses become subject to suspicion, and the best of our banks know not how soon they may become exposed to a run from the popular delusion which prevails. Hence money is hoarded, every one prepares for the worst, and money becomes, or is said to be, scarce, simply because no one will part with what he has. Take the panic of 1847: the Act of 1844 was no sooner suspended in October, 1847, people were no sooner told the bank was not to be restricted in its issue of bank notes, than the pressure immediately ceased. On the return of confidence the hoards were brought out; the amounts held in reserve by bankers in England and Ireland can be reduced; the stagnant funds, the locked-up capital, are again put into circulation; money is vitalized, and soon overflows the country.

The following list of the bank rate of discount for three years will prove that money is not paid too highly for: From June 19, 1884, to August, 1887, the rate has only twice been 5 per cent., five times 4 per cent., more than half the time not over 2½ per cent., one year out of the three only 2 per cent.

FLUCTUATIONS IN THE BANK RATE OF DISCOUNT DURING 1884-5-6-7.

1884–5.		1886.		1887.	
Date.	Rate.	Date.	Rate.	Date.	Rate.
19th June.....	2	21st January...	3	3d February...	4
9th October....	3	18th February.	2	10th March....	3½
30th October...	4	6th May.....	3	24th March....	3
6th November.	5	10th June.....	2½	14th April.	2½
29th Jan., 1885.	4	26th August...	3½	28th April.	3
19th March....	3½	21st October...	4	4th August....	2
7th May.....	3	16th December.	5		
14th May.....	2½				
12th November.	3				
17th December.	4				

End of 1886, money was scarce, and more had to be paid for it, but since March the moneyed class have had to suffer. Cheap money is very useful in developing many industries that cannot afford to pay high interest; but money is cheap generally, because goods are not being produced from a lack of enterprise, a falling off in production, or a depreciation in their value. Trade generally has not recovered the depression of 1877–78. We want new markets, and more attention given to what is required by the old ones. Our manufacturers and merchants do not pay sufficient attention to the wants of the large population growing up all over the world. There can be no surer indication of the "home trade" than the clearing-house returns, as these are the total settlements day by day between buyers and sellers. The four weeks of July, 1887, as against 1886, show an improvement:

CLEARING HOUSE RETURNS.

1886.		1887.	
Week ended July 7,	£132,389,000	Week ended July 6,	£136,662,000
" " " 14,	94,675,000	" " " 13,	100,940,000
" " " 21,	134,221,000	" " " 20,	136,351,000
" " " 28,	81,545,000	" " " 27,	84,546,000
Total July, 1886,	£442,830,000		£458,499,000
Increase in 1887	15,669,000		
	£458,499,000		

Ask any tradesman why business is so dull, you have the stereotyped reply, "Scarcity of money"; yet money is waiting to be asked for, if they had the debts represented by bills to give in exchange for it. This is caused mainly by a want of confidence, stopping production, distribution. Yet why this feeling of mistrust it would be hard to tell; except that men do not think for themselves, do not act for themselves, but have trusted to bankers and others to invest for them; and one gigantic failure shakes confidence in all, and so the public, the money-investing public, keep to first-class securities only; and on the 13th of May, 1887, consols reached 103¼, the highest price; the lowest was 47¼ in August, 1798. There could be no safer indication that capitalists are at their wits' end to know what to do with their money. The discount rate for three months' bank bills is nominally 2 per cent., too little for borrowers to pay, or lenders to receive; but practically the rate may be put at 1⅛ per cent., owing to the competition among lenders; whilst the London discount houses are obliged to refuse large sums of money offered to them on deposit from the provinces on account of the impossibility of making use of it profitably. The quantity of money required in any country must depend

upon the extent of its trade ; and as both the foreign and domestic trade of this country has very considerably decreased the last few years, and still keeps in a very depressed state, less money is required to carry it on. Manufacturers and merchants have not the same quantity of bills to offer for discount ; hence there is a great falling off in the demand for money. The quantity of money required to carry on any given amount of trade depends also upon the general scale of prices ; and as the prices of nearly all commodities have been much reduced, the amount of money required for the exchange of the same quantities of commodities is proportionately diminished. So lenders cannot find legitimate borrowers, capital is in search of employment, and has to be satisfied with very poor remuneration. It is not want of money, then, that causes the present depression to last—there is abundance of money ; yet some of our most important branches of manufacture are in a state of great depression. At the March wool sales, 180,000 bales out of 240,000, or "three fourths," were bought by foreigners, the home trade only requiring "one fourth," instead of "one half." The third series of sales closed September 26th, and, as in the preceding series, the foreign trade took a large proportion of the supply—175,000 bales out of 325,628 ; or, out of 899,400 bales sold in the three series for 1879, 598,300 bales were bought for the foreign trade, and only 301,100 for the home trade ; whereas in the corresponding three series of 1878, 442,200 were bought for export, and 384,900 for home consumption : a great falling off in one of our staple productions, and a great increase in foreign productions. How is this ? There are various causes, and our

working classes have yet to learn that it is a very easy task to bleed a man to death, but even with a profuse supply of money to put fresh blood into his veins, we cannot at our pleasure restore him to life again.

What an outcry there is when money gets over 5 per cent., or even before it reaches that rate; yet manufacturers and merchants might well afford the capitalist his temporary gleam of sunshine without so much murmuring. The rule with manufacturers is to draw on their customers at four months if they are not able to take the discount; so that even now, when they can take the bills to the bank and get the same discounted from 1½ to 2½, they still charge their customers 7½ per annum. The City merchant houses, like Cook & Son, Moore, Crampton, & Co., make a large profit by the necessities of their customers; or, putting it another way, they lend to their customer; that is, they extend the length of credit four months by his sacrificing 2½ per cent. discount. There are some houses who will only draw at three months. When I first began business, I bought largely of one, a very respectable house that served me well, but the counting-house profit of ten per cent. was a serious drawback. A business man of course always discounts such accounts if possible, and arranges that the house that draws at four months shall do so; but the profit monthly in discounting a batch of bills at the bank rate, in comparison with the discount their customers have to forego, must be a large sum. A tradesman should always try and arrange his purchases so as to secure the discount; to do with good men or to do a cash trade, taking the discount is essential. As a rule, it is not advisable to draw on

houses that sell all for cash ; if a debtor's assets consist only of his stock in trade, that alone will never pay his creditors 20*s.* in the £, if he takes the full time allowed in the trade. For instance, the terms at least are one clear month and four months' bill ; then there is dating on—say six months' credit or half a year's trade. To pay, the stock must be turned over four times a year, or at least three times. You will perceive that there is only three or four months' stock to pay six months' purchases with. Yet merchants will not keep their eyes open, will not read the signs of the times, will not see that book debts will year by year be less of an asset as cash trade becomes more and more the rule. Despite, I say, of this, our leading City houses tempt their customers to buy by offering job lots, all under market prices, they say, dated as June, if bought March 25th, 26th, 27th ; and the same house issued a circular in reference to an article that had *advanced in price*, offering to book orders at prices quoted, for delivery September 1st as December, November 1st as February, December 1st as March. Can recklessness go further, or can we be surprised if such a policy caused this house to draw largely on their reserve fund to pay five per cent. interest on capital ? Another sent out twelve sheets of job lots in March, with the temptation also of June ; and so infectious has become this fatal disease, that another house, whose system was unique, whose counting-house policy was the most profitable as the most judicious in the City, whose rule used to be that if a parcel was bought on the last day of the month, it was charged for in that month's account if it left the premises, yet on March 29th, 1879, this house, to my great sorrow, so far departed from the

principle of its great founder, as to send out a circular offering goods under price, and to be dated as May. I know the excuse: trade is bad, others do this and that. Buyers grumble that the dating on will tempt men, aye, even more than price. All too true. Still the principles that have made a house, that have triumphed successfully over periods as adverse as the present, ought not to be departed from except as a last resource. Look at the damage it does the house! A besieged castle has little chance against the enemy when it is known how nearly exhausted the supplies are; and once begun, and you join in this dangerous system of dating on, there is no knowing where you may go.

> "Within the infant rind of this small flower,
> Poison hath residence, and medicine power.
> Two such opposéd kings encamp there still
> In man as well as herbs—grace and rude will,
> And when the worser is predominant,
> Full soon the canker, death, eateth up that plant."
>
> SHAKESPEARE.

Beginning life with a very small amount of borrowed capital, I am well aware of the value of dating on; but at that time we sold our own goods on credit—credit was the rule and ready money the exception—and the dating on was only the two seasons' parcels bought some months in advance of the time they would be required. The "canker" in the present system is dating on by circular indiscriminately to every one, and after having sold the season's parcel dated as February to your regular customers, offering "job lines" to those who have not already bought in March dated as June. The judicious use of the system is the "medicine"; the

reckless use of the system is the "poison," in tempting a man in March to buy "jobs" dated as June, before you know if he intends to pay in April for the season's parcel bought in February; tempting men to incur liabilities; making of business a reckless, haphazard kind of thing; the counting-house, instead of, as formerly, being the safety valve, the drug luring men on to their destruction. Why is this? Because men do not think, and are led away by specious expedients, and do not take the trouble to get at the bottom of things. A business man of course takes advantage of the liberal terms. Time is money, and if a house volunteers an extra month or two, he is willing to take it. As a rule, they allow you half per cent. extra per month for prepayment; so buy upon their terms if you *want to buy*, and *if the price is right*, and prepay them. But the tendency of the time is for the consumer to pay "cash," and get the best value possible for ready money; and to help their customers, it would be wiser to "shorten credit," and charge a lower price for the quicker turnover and lessened risk. Goods cannot be sold cheaply, as they should be, to "cash" buyers whilst our system is one of reckless, foolish, indiscriminate "long credit."

They justify the practice by saying trade is in a very depressed state. No doubt it is, and unless great caution is observed, the excessive glut of idle capital will lead to a deal of unsound speculative business. It may be difficult to do so, it is very unpleasant to have to do so, but it would be wiser to keep the goods, as it will be wiser to keep the money till it can be legitimately used, than lend it rashly rather than not lend it at all. It is a calamity for the moneyed interest when the nation groans under

the pressure of an abundance of money-lenders not able to find borrowers ; capital in search of employment, and not able to find it. Trade being generally depressed, the cause cannot be for want of money ; and the capitalist must have patience, and wait till the cause of the depression be removed. It should be a proof that the quantity of money does not of itself give the stimulus to domestic industry. Trade may be paralyzed when in full operation because money cannot be had, but money alone cannot set the wheels in motion. There was nothing to justify the difficulty in getting money during the last pressure. I have witnessed those of 1847, 1857, 1866, but the 1877, 1878 collapse seemed to make our bankers lose their nerve. What manufacturer or merchant feels disposed to launch out upon such an insecure sea as our currency, with their bankers acting in a certain manner up to the last moment, and in the hour of need, without the least warning, to object on some puerile objection, and return your paper? Why, inevitably, every prudent, sensible man resolves to curtail his operations, and not risk his position upon such an insecure basis. As before stated, I see no reason, if the bank act was altered to meet the requirements of 1881, why the bank rate should be at any time over six per cent. And I have also stated that even our present panic rates are nothing to any solvent man doing a legitimate business. This has always been my opinion, and I have simply regarded them as a little off my year's profit, and a little more in the banker's or money-lender's. We must all have our innings ; but what we object to is that that there should be any difficulty in getting money when wanted, and, after being refused, is lent. Then

you open up a new aspect of the case, that crushes by its uncertainty the actions of the man, and all operations are necessarily for a time curtailed. This is the real evil of all panics ; the depriving of solvent houses of the means of meeting their legitimate engagements. Banking ought to be done upon a certain system ; bills of regular customers that are taken for certain sums or at certain dates ought not to be objected to at a time of pressure, when the market is not open to the customer. Six months' bills are right or wrong ; if right, they should be taken at one time as at another ; if wrong, they should not be taken at any time, no matter how plentiful money may be. If there be any deviation, it should be in being more liberal at the difficult time to the regular customer, unless his credit is unsatisfactory, or the amount of bills under discount much larger than usual. Bankers, of all men, should be superior to nerveless fear, as by such actions wealthy men may be ruined. Manufacturers deprived of the means of executing their orders, thousands thrown out of employment, the national industry paralyzed, the progress of useful works stopped, through want of confidence, and the usual facilities of getting money stopped—such are the effects of pressure in the money market. The high rate is a mere bagatelle ; the stoppage of a man's credit, the limiting and restricting his loan account, or refusing to discount this or that paper, being the real evil that causes an immediate paralysis of trade. Bankers, as a rule, are too liberal ; their great fault is that, like an indulgent father, they suddenly, without cause or reason, refuse the helping hand they have heretofore so liberally given. Times of pressure, of course, are very trying to bankers, and fluc-

tuations in the value of money generally injurious. When money is abundant they get the minimum of profit, and are tempted to make imprudent investments, in order to employ their funds; and when money is scarce the rate of interest on deposits is advanced, and although they get the advantages on the balances of the current accounts and their own capital of the higher rate of interest, on the other hand they have to keep a larger sum unemployed in the till ready in case of a rush, and there is more danger from losses by the failing of customers, or from the necessity of realizing the securities they hold. As a rule, the extremes of abundance and scarcity of money are unfavorable to banking profits. A state in which money is easy without being abundant, and valuable without being scarce, is the most conducive to the prosperity of both the banking and the commercial interests of the country.

WEALTH.

"Wealth in the gross is death, but life diffused;
As poison heals, in just proportions used:
In heap, like ambergris, a stink it lies,
But, well dispersed, is incense to the skies."—POPE.

Mr. R. H. Patterson, writing upon the "Eastern Trade and Precious Metals," in the *Contemporary Review* for April, 1879, says: "According to Mr. Jacob's estimate, the entire amount of specie in Europe in 1492 was only £33,000,000; and the comparative dearth or scarcity of money is shown by the fact that the precious metals were at that time three times dearer; that is to say, their exchangeable value or purchasing power was three times as great as it had been in the reign of

Augustus. But in the course of a century, after the discovery of America (A.D. 1490–1600), the stock of gold and silver existing in Europe (after deducting loss by wear and by export) became quadrupled, and in A.D. 1640 it became nearly sevenfold larger than it was in the days of Columbus. The result was that prices became nearly quadrupled ; that is to say, specie or money fell to only about a fourth part of its old value. Produce increasing out of proportion to money, more has to be given in exchange for that money ; the produce *must* be exchanged, money having a fixed legal value put upon it ; goods being in excess, go down in price ; the same amount of money will buy a larger quantity of produce. But the positions being reversed—gold being discovered faster than goods can be manufactured, and the holder of the gold wanting produce and not the gold, they have to part with more of the gold to get a share of the existing produce ; so people get more money in exchange for their goods. But the flood of gold and silver causes a demand for goods ; and heavy as was the fall in the value of gold and silver which followed the inundation of the precious metals from America in the sixteenth century and onward, the fall was not proportionate with the multiplication of the stock of these metals in Europe ; prices being quadrupled, while the gold and silver became seven-fold. There is but one possible explanation—money stimulates trade, demand causes supply ; the great expansion of commerce caused the demand or requirement for specie to simultaneously increase since 1492. The miners wanted goods, clothing, etc.; ships and sailors were needed to send the goods abroad to them ; new branches of commerce sprang up ; and the

increased import of commodities led to the export of gold and silver. In 1492 the stock of gold existing in Europe, we are told, was only £33,000,000, and the produce of the European mines, then the only source of supply, was under £150,000 a year. During the first half of the sixteenth century the Eastern trade was hardly in existence; but by the end of the century, however (in 1600), the export of the precious metals to the East, in connection with the new trade had amounted (according to Mr. Jacob) in the aggregate to £14,000,000 sterling—a sum which, according to the same authority, was somewhat larger than the aggregate produce of the European mines during the same period (viz., 1492–1600). Thus, at its very outset, the Eastern trade was manifestly dependent upon a new supply of the precious metals, and, but for the conquest of Mexico (1516) and Peru (1520), and the discovery in 1546 of the great silver mountain of Potosi by the Spaniards, which caused a large and permanent supply of specie from the New World, the Eastern trade could not have been prosecuted at all.

"Europe had obtained almost its entire stock of gold and silver from the East. The East was proverbially the prolific seat both of gems and the precious metals. Yet for three centuries or more, ever since civilization began to revive in Europe, there has been a steady flow of the precious metals to the East. In the course of the next century (1601–1700) the aggregate export of the precious metals to the East amounted to 33 millions—a sum equal to the entire stock of gold and silver in Europe in 1492. The establishment of the Dutch and the English East India companies gave a great impetus to the Eastern trade; and in the following century the export of specie

to the East amounted to and less than 352 millions, or at the rate of three and a half millions a year throughout the entire century. The magnitude of this sum will be clearly apprehended when we state that, according to Mr. Jacob, whose authority we accept upon these matters, the total *existing* stock of gold and silver money in Christendom (*i. e.*, after deducting the amount of the precious metals converted into ornaments, or lost, or destroyed by wear) was 380 millions in 1810, which, allowing for the 100 millions yielded by the mines between 1800 and 1810, shows that the total existing stock at the beginning of the present century must have been considerably less than the amount of gold and silver which had been exported to the East during the preceding century.

"We now come to a critical time in the history of the precious metals, and also not only of the trade with the East, but, as has recently and tardily become recognized, of the monetary and commercial condition of the world at large. In the year 1810, during the occupation of Spain by the armies of Napoleon, the Spanish colonies of South America and Mexico revolted against the rule of the mother country. A long period of revolutionary wars ensued; industry was paralyzed, the whole region relapsed into a state of chaos, and the working of the mines, both in Peru and Mexico, temporarily ceased. The result was that the world's supply of the precious metals was reduced by one half, falling from ten millions in 1810 to an average of only five millions during the next twenty years. This disastrous change was strikingly reflected in the export of specie to the East, which, according to Mr. Jacob, declined from three and a half

millions, which it had averaged from 1700 down to 1810, to only two millions a year from 1810 to 1830.

"For the ensuing period we have no statistics or reliable computation of the export of the precious metals to the East generally. We must, therefore, confine our statement to India, which has always, and especially in recent times, been by far the chief absorbent of gold and silver from the Western world. Between 1834 and 1852 we find, from the statistics furnished by Colonel Hyde, late Master of the Calcutta Mint, that the surplus of the imports of silver over the exports in India amounted to twenty-nine millions sterling, which gives an annual average of one and one third million of silver absorbed by India. During that period there appears a new element in the case—namely, the home bills or drafts drawn by our government upon the Indian government, representing payments due from the Indian executive to this country. Doubtless such payments had always been in existence to some extent under the East India Company, although prior to this time we have no official record of them. These home bills during the period in question, 1834–52, averaged one and three quarter million a year. Accordingly the exports of silver to India, together with these home bills equivalent to specie, averaged during this period three and a half millions annually, just equal to the average export of specie throughout the hundred and ten years ending with 1810. Doubtless there was some export of gold to India during the twenty years ending with 1852, of which we find no official record. But viewing the whole case, it seems evident that, contemporaneously with the falling off in the world's supply of the precious metals, there was a

stagnation in the trade with the East, which cannot be carried on without a commensurate supply of specie.

"We now come to the concluding, and by far the most remarkable and important epoch of the trade with the East, during which it has been the most powerful factor in determining the value of the precious metals, and of money generally in the Western world. Soon after 1852 the memorable expansion of our Indian trade set in. The vast supply of new gold from California and Australia created an abundance of metallic money or international currency; and as gold could largely take the place of silver in the currencies of the Western world, a large quantity of the latter metal became available for carrying on an increase of trade with India and other silver-using countries of the East. Thus supported, in 1855–6 an immense expenditure of British capital was begun in India for the construction of railways. Mr. R. W. Crawford stated in 1876 that the total expenditure for this purpose amounted to ninety-four millions sterling, of which sum fifty-four millions were expended in India. And just as this expenditure was coming to a close in 1862, the cotton famine commenced, owing to the civil war in the United States, whereby our cotton merchants were compelled to have recourse to India for a supply of the raw material of our great textile industry. Under these combined influences, a vast amount of money was invested in India, which operated like a fertilizing flood, increasing production and exports, and also enabling the population of India to increase their imports and consumption of foreign commodities. And thus the foreign trade of India in merchandise, including both exports and imports, which amounted to

thirty-seven millions sterling in the official year 1855–6, rose steadily to ninety-five millions in the year 1865–6, nearly trebling during those ten years.

"Such, then, have been the vast and beneficial effects of the trade with the East upon the value of precious metals, and of money generally, throughout the Western world, alike in past centuries, after the discovery of America, and during the still vaster and more remarkable inflood of these precious ores since the discovery of the new American and Australian mines. This Eastern trade has happily carried off or found profitable employment for every spare ounce of the 350 millions of gold which, since 1848, have been poured into the world from the new mines; entirely preventing the immense fall in the value of money, which, at the instant, appeared so inevitable and appalling. By preventing a fall in the value of money, it has made every ounce of the new gold, and until recently of silver, as highly valuable as in previous times: thus maintaining, at its full value, the labor of the miners, and saving the whole civilized world not merely from a monetary revolution, but from the pure and heavy loss which would have resulted from a diminution in the value of the vast existing stock of gold and silver. Solely and directly in consequence of the trade with the East, as the new gold has flowed into Europe, silver has flowed out; and thus the increased commerce with the East has proved to mankind a double blessing; at once augmenting employment both in the Eastern and Western worlds, and averting any great change in the value of money. It is a waste pipe by which nothing is wasted; it is a channel by which we not only get rid of a surplus of the precious metals, but

turn them to most profitable account. In so far as the new gold and silver mines shall remain productive, the prosperity of the world depends upon the continuance of this drain of bullion to the East. Without it the new supplies of the precious metals would be robbed of their usefulness, through a great fall in their value. Their beneficial effect would be merely local and evanescent; but with it the whole world will be partakers in its blessings. At present, unfortunately, this conduit or waste pipe is narrowed by the 'Council Drafts,'—a circumstance natural and proper of itself, but which is highly disadvantageous not only to our Indian Empire, but to the world at large, by producing a fall in the value of silver, which not only lessens the value of the labor of the silver-miners, but of the entire amount of the vast stock of silver existing throughout the world—the accumulated result and legacy of many generations of past labor."

The "savings" of the United Kingdom are estimated at the lowest computation as above £100,000,000 annually, so that "wealth," its production and distribution, is an important study. Nearly all men are engaged in the creation of wealth. The right way of working for it, the most fitting method of attaining it, must be of value to every one. Practical men have their theories and crotchets. They abound with views founded, as they will tell you, on experience; and when new principles are proposed, none are so quick as practical men to crush you with the better wisdom of custom and prevalent practice. If panics and commercial crises teach us any thing, it is that trade and industry periodically go to ruin because of a transient embarrassment, in no way affecting the solvency of British trade, but solely because of a defect

in our monetary system, through which the whole commerce of the country is upset, and traders robbed of their wealth, through depression of the markets; and hundreds of firms, as solvent as the Bank of England are forced into the *Gazette*, because of the inelasticity of our Currency Act, by which the ordinary monetary accommodation is withdrawn from trade at the very time when it is most urgently required. How long is this to last! Until the practical man studies more thoroughly than he has done the science of wealth. It will give to his mind more breadth—will cause him to be more complete in his investigation, in the questioning of facts, and the more careful digestion of the instruction they contain. By no other method can he keep in advance, and be able to shake off many of the complicated, artificial, and cumbrous rules laid down for the attainment of wealth. By science alone can men be made superior to the old fallacy that the precious metals should be the one supreme object of industrial ambition; that to acquire them, all the resources of the intellect, the capital, the labor of the nation, must be applied; that the export trade must be exalted over the import trade, because it attracts homewards the influx of the wealth-imparting stream of metal;—as if the national prosperity could only be measured by the accumulation of ingots, as if buying were not as important as selling. Once give the subject your thought, you will soon perceive that the power and prosperity of your country, the well-being of its population, and their contentment with the social system that surrounds them, are largely involved in a correct apprehension and a firm application of economic science; as true principles

enrich, whilst false principles impoverish the nation. Free trade or protection, direct or indirect taxation, the laws of limited liability or unlimited liability as applied to partnership, companies, and banks, the currency laws, poor laws, land laws, and the law of bankruptcy, whether framed to relieve or punish the careless or fraudulent debtor, are subjects that every man should have an opinion upon, and get all the light upon that the thoughtful men of these and other times have shed. Such light is now much needed to guide us. It will not do to float along the stream of life at haphazard, and to take no thought for guiding your conduct in attaining wealth, or the object you may be pursuing in life. Life must be "more real, more earnest" than it has been. The errors around us, the evils acquiesced in from carelessness, the good left undone from indifference, are amongst the most fruitful causes of human suffering. Wealth arises from an increase in the produce of our soils and our docks—viz., grain, animals, weaving materials, and fruits—and of coal, iron, and other metals; or from a diminution in the cost of production thereof; or from an increase in the amount of foreign goods which we manufacture and export, or in a diminished cost in the manufacture of them; from the wise investments of our *spare* capital in the construction of railways or other similar enterprises that lessen the cost and facilitate the transport of people and goods; and devoting our brains, labor, and capital to the production of articles that give the best possible value to the consumer, and yield a profit to the producer. It has become imperative that our leaders raise their voice as one man against that mischievous doctrine, that the "wealth of the nation" is the exclusive

product of manual labor. This unjust and unfounded assumption must be combated, and the laborer invested with that consideration alone which his share entitles him to. Labor must hold its subordinate position; and the capital and skill that search out the best method and direct their successful application, must hold the high position they are entitled to. If laborers need this enlightenment, the people generally require to be taught how to guard against the insidious doctrine of protection. It is the universal ignorance of communities that enables the selfish few to dare, for the gain of the select few, to propose tariffs, subsidies, bounties, etc., that are all adverse to the interests of the many. They are attempts by traders to eliminate competition from their class, and thus enhance the value of their product; attempts that dare not be persisted in one moment if the people understood economic science. I have no hesitation in denouncing protection as the greatest curse a nation can suffer under, as being asked for by those who trample under foot and ignore the prosperity of the nation. When will men learn that what is "morally wrong" never can be politically or socially right; that a policy that cannot be defended on the ground of principle, can only be excused on the plea of necessity by cowards? The statesmen or nations that yield to necessity, and sink to the level of expediency, instead of keeping to the height of principle, should be the objects of our pity, as being the victims of a misfortune which has vanquished their judgment. Statesmen should be great, not specious and "clever,"—*wise*, not subtle, like charlatans. Nothing is worse for a nation than to be ruled by men endowed with that

> "Low cunning which Nature, kind, indulgent parent, gave
> To supply the place of wisdom to the knave."

The success of this type of men, whether as politicians, lawyers, doctors, or traders, would be impossible if the intelligence of the people were equal to the refuting of these fallacies and illusions. The mind must be imbued with accurate principles; prejudices must be combated; truth must be firmly implanted, and more correct views given to all as to how the wealth and happiness of the people are to be obtained.

Monetary writers assume that the delusive doctrine that "gold is wealth," that "wealth consists solely of money," was dispelled by Adam Smith; and Mr. Mill paints the idea as an absurdity so palpable that the present age regards it as incredible, as a crude fancy of childhood; yet I heartily endorse Mr. Bonamy Price's opinion, that this doctrine, that gold is wealth, breathes in every line of the City articles in all our daily newspapers; nay, further, if you were to ask 1,000 men their opinion, 999, if not the 1,000, would say the same. The intelligence of the present age is a great fallacy. I am willing to admit there are giants in our midst, whose power of thought is akin to the marvellous, whose breadth of vision seems without limit; men worthy of the greatest homage from their fellow-men; but the general knowledge is of a specious character, all surface, —there is no depth in it. Men do not think out the problem of life, are not in earnest in understanding themselves, or what causes the miseries that "flesh is heir to." Spite of all that has been done by theologians and moralists, men's daily lives prove that they do not believe that the greatest blessing is to possess that guar-

understand the value of banks, what money is for—to be used, not kept idle in boxes or their pockets; and extend the clearing-house system; for principally by these three means you may increase the trade and commerce of the country, so far as they need the help of a medium of exchange, to any extent. Nothing stops us, nothing causes depression of trade, but our own ignorance and want of judicious industry, and a wiser system of production and distribution. Gold should be a blessing to us, not a curse. All trade is an exchange of gold, I grant you, for money as a medium; but, as Adam Smith has well remarked, England (or any other country) can replenish itself with gold from abroad if she has the wherewithal to pay for it. Gold is a commodity to be bought with other articles, like any other article; and as all articles are exchanged for money, gold can be had to the extent needed for foreign trade if the proper means are taken to secure it.

Banking is, briefly, the economy of capital, the economy of money. Every year we discover new forces, or bring others under the control of man; but of all the inventions of which necessity is the stern mother, the inventions of economy are the most prominent, as they are the most useful, at the present day. To hold our own, we must carefully gather up what our forefathers threw away; we must learn to appreciate what they neglected or despised. "Waste nothing," is the keynote of our material industry. Just as the farmer turns even the weeds to account, as a manure for the fields which they encumbered, so in all things we must utilize "refuse," and see that every thing is of use, if we take it to the right place and put it to its right use. We can only hold our own against

foreign rivals by learning the lessons past experience has taught us ; we must be more thoughtful, be more economical, avoid losses ; try for making the many small gains instead of aiming at the few large ones.

It is incumbent upon us to utilize all the neglected resources we possess, and trust, as the basis for maintaining and extending our power, to the accumulative and concentrated appliances of a thousand forces or savings within our reach, each trifling of itself perhaps, but capable by wise economy thereof to promote the nation's greatness and wealth. Our people must learn to be men of business—must learn that the high morality of "putting yourself in his place" and "doing to another as you would be done by," in all transactions, is the height of wisdom, proved by experience, as it is the only real proof of a nation's religiousness, the consummation of, and positive evidence of, a people's real worship. They must learn about banking, about "money," about the bugbear "currency," as it is only by such knowledge they can learn how to economize the force of money ; and I maintain that the knowledge by the nation how to cause this economy of their capital, would act like new gold mines, as an agency to give to commerce an expansion it so much needs. There has been latterly a strong feeling of mistrust in the public mind respecting banks, and I have therefore deemed it advisable, perhaps at too great length, to bring before the public notice some of the advantages of banking.

EXCHANGE.

The exchange trade is carried on by a small and special body of foreign bill brokers, of whom Messrs.

Rothschild are the greatest. Messrs. Rothschild are immense capitalists, having also much borrowed money in their hands; but they do not take £100 payable on demand, and pay it back in checks, like an English banker. The borrowed money which they have for use is deposited in large sums, borrowed for terms more or less long. A foreigner thinks "an exchange business," —that is, the buying and selling bills on foreign countries —a main part of banking. English bankers deal with an aggregate of small sums, all of which are repayable on short notice, or on demand.

The following will explain briefly, but I think clearly, what the "loss by exchange" is; the "gain by exchange" will be the reverse of this—viz., when there is a "gain" instead of a "loss":

A customer writes us, April 28, 1879, that he has not been able to order for some time past, the rate of exchange being so high, and when he sends this indent the exchange is 24¾; viz., for every £100 he remits us, he has to pay 1,247½ rupees instead of 1,000, and the ordinary cost of remittance. There is no mystery in the way of calculating the loss of exchange. Taking arbitrary figures for the purpose, it is as follows: To remit £100 at 2*s.* the rupee, 1,000 rupees are required; but if the rupee is reduced in value in India in relation to the value of silver as against gold, say to 1*s.* 7*d.* the rupee, 1,263 rupees are required. You will at once perceive the difference between a favorable or adverse rate of exchange, if you imagine yourself in India and have to find 1,263 rupees instead of 1,000 before you can remit £100 to London for gold, etc. The loss is represented by the excess number of rupees required to be sent home at the

rate of 2*s.* the rupee, and therefore the sterling loss is 263 multiplied by 2*s.*, or £26 6*s.* upon every £100. The government accounts are calculated upon this principle, and would be represented by a larger sum, only that the loss is not in comparison with 1*s.* 7*d.* against 2*s.* but of 1*s.* 7*d.* against the average rate of exchange for some years past—viz., 1*s.* 10½*d.* Taking the whole amount of the remittances required to meet the home charges for 1879, and taking the rupee at the rate of 1*s.* 7*d.* as compared, not with 2*s.* but with 1*s.* 10½*d.*, the real loss to India is £3,130,000 sterling. But as it was only proposed to remit 15 millions, the real loss will be 2¾ millions. Contrast this fearful increase of expenditure against the loss of "exchange" for the four years before the heavy fall in 1876, when the net average annual loss was £432,000.

From Mr. Bonamy Price's able work, "Currency and Banking," I extract the following: "Gold exercises a most valuable function in liquidating the balances of international trade. All trade, as between individuals so between nations, is an exchange of property, of wealth, of goods. Every nation buys abroad with its own products, its own goods; it has nothing else to obtain its purchases with. When a country has mines of gold, gold passes as a product, just as cotton or wine. If the buying equalled the selling every day, as would happen with direct barter, the accounts would always be balanced of themselves; but as purchases and sales with one single foreign country are not always equal, there remains on a given day a balance to settle, and that is done with an export of gold from the country which bought most to the country which has sold most. At times this differ-

ence is large, as when a bad harvest or famine urges on immediate and large purchases of food, and sufficient gold at the moment might be difficult to procure. But the machinery of modern commerce here comes in aid; bills—which are only deferred payments—are brought into play, and often before they are due, the balance has been corrected with the export of goods. In any case, as Adam Smith has well remarked, England can replenish itself with gold from abroad, if she has the wherewithal to pay for it. Trade never is any thing else at last but exchange of goods."

International payments require the currencies of different countries to be compared with one another. Each country sells upon prices estimated in its own money; hence in international exchanging two accounts have to be settled together, each expressed in different moneys. How is the position of each towards the other to be calculated? They must be reduced to a common measure, to gold. French napoleons and francs must be converted into weights of gold; so must the English pounds and shillings. This operation is carried out by expressing the coin of the one country in the coin of the other. The weight of gold in an English sovereign is compared with the weight of the same metal in French francs, calculated on the basis of the weight of gold in the twenty-franc piece, the napoleon. The discovery is made that twenty-five francs, and some $\frac{11}{100}$ more, express the same weight of gold as the English sovereign, and this equality is called the par of exchange. When the exchange is at par, a man who has an English sovereign can obtain these francs, and *vice versa* these francs will get a sovereign. A bullion dealer who bought

two heaps of sovereigns and napoleons on this basis, and melted the gold into ingots, would get exactly the same ingots from each heap.

But exchange seldom stands at par between two countries, for a very sufficient reason; the buying and selling are seldom equal on the same day; the difference, as explained, they agree shall be liquidated in gold. Now to send gold involves a charge for carriage and insurance; and the man who has to send it will avoid this charge if he can; so we find that goods purchased in foreign countries, all except the small balance liquidated in gold, are paid by the exchange of debts, by bills. The English debtor pays his French creditor by sending him a bill due by a French debtor for English goods sent to France. Practically, one nation buys up the bills on the other, and settlements between the two countries are made by an exchange of bills. If the purchases in the two countries are equal, so will be the bills created by them; if not, the debtor unable to find a bill has to send gold, or, as is generally the case, he offers for a bill rather more than its value in metal at the par of exchange. If France owes us more than we owe her at any given period, the French debtor has to pay, say, 25¼ francs for a pound, due in London, rather than send gold. If England owes more to France than France to England, at any period, the English debtor in London will be eager to obtain, and compete with others to buy in London, a bill due by a Frenchman in France; and he will give a sovereign for 24¾ francs to be paid in France. In the former case the exchange is said to be in favor of England; the Englishman gets a quarter of a franc more than the gold of his pound at par. In the second

case, the exchange is pronounced unfavorable; the Englishman gets less gold in 24¾ francs than he gave away in his pound. So you perceive that a favorable exchange means that England has sold more than she has bought, the same not being able to be settled by the ordinary bills, she has a balance to receive in gold. As gold is costly to transmit, what bills are to be had are sought after, and fetch more in consequence; and an unfavorable exchange means the reverse; she is the loser by the exchange of bills needed for the settlement.

But the exchange will not rise above par, beyond the cost of carriage and insurance for the transmission of gold. If it costs half a franc to send a pound's worth of gold to England, the Paris debtor will accept an exchange which makes him give 25½ francs for a pound, to be paid in England; but he will refuse one of 25¾, as it would cost him less to send the gold.

Another popular fallacy is that of favorable exchange, meaning thereby we have sold abroad more than we bought, and had to receive gold for the balance. The expression implies an ignorance of the very nature of all trade, and is made by those who ignore the fact that men sell to have the power to buy; that all trade is only an exchange of goods, and the greater the power to procure goods of foreign countries, for use and consumption, the better.

We only sell for gold, because it gives us a ready means to buy other goods. It is the goods we really want, not the money; hence the terms, favorable and unfavorable exchanges, are misleading, but still exist, in spite of their refutation by Adam Smith.

The delusion is based upon the absurdity that to sell

is every thing—get gold for your goods ; whereas to sell without buying is to convert a man into a Midas, and to make him perish amid piles of gold. The value set on favorable exchanges Mr. Bonamy Price considers the greatest intellectual and literary wonder of our age.

All persons interested in "Exchange" should carefully read Mr. Bonamy Price on "Currency and Banking," and "The Theory of the Foreign Exchanges," by the Right Hon. G. J. Goschen.

INTEREST.

Interest on money is a refined idea, and not a universal one. Not that this implies that interest ought not to be charged, but that the majority of persons in most countries do not appreciate it. Most savings in most countries are held in hoarded specie. In Asia, in Africa, in South America, they are thus held, and it would frighten most of the owners to let them out of their keeping. A modern Englishman assumes as a first principle that he ought to be able to "put his money into something safe that will yield five per cent." ; but most saving persons in other countries are afraid to "put their money" into any thing.

That part of the business of banking which consists in the lending of money lay, during the Middle Ages, under severe restraints. The taking of interest for the loan of money was deemed sinful, and stigmatized with the name of usury. This opinion appears to be wholly unwarranted, either by the principle of natural equity or the enactments of the Mosaic law. "The taking of interest from Israelites was forbidden by Moses ; not, however, as if he absolutely and in all cases condemned

the practice, for he expressly permitted interest to be taken from strangers, but out of favor to the poorer classes of people. The further we go back towards the origin of nations, the poorer do we commonly find them, and the more strangers to commerce; and where this is the case, people borrow, not with a view to profit, but from poverty, and in order to procure the necessaries of life; and then it must be, no doubt, a great hardship to give back more than has been got. The taking of interest from *strangers* Moses has not only nowhere forbidden, but even expressly authorized. Hence it is clear that he does by no means represent interest as in itself sinful and unjust. Political economy demonstrates clearly that "thrift," or the accumulation of capital by a nation, depends on what profit can be obtained by self-denial, the reward of abstinence." In "Paper Money," Mr. Harvey denies that capital is the result of saving, and says the absurdity of stating that the only way of adding to the capital of a country is to save money, arises from our confounding capital and money. According to his theory, "the problem of life is to consume much and produce much." With this I cordially agree—no one is more anxious that the mass of the people should have more of the comforts of life; but to obtain this, they must not be misled by those "false friends" who tell them to limit the produce of their labor, but be guided by their "true friends," who advise them to produce all in their power. Mr. Harvey agrees with Mr. Ruskin, that thrifty people, accumulators of capital, are "worshippers of Mammon, and servants of the devil." If you have read my books, you will have noticed my contempt for the accumulator, who is actuated

solely by his love of gold—whose pleasure is in the thought of his possessions, which yield gratification to his miserly soul; but we must not ignore the fact, that the wages for next week, or month, or year, depend solely on the *savings* of the week, month, or year that preceded; that the very existence of society now depends upon those who "think of the morrow," upon those whose "savings" of to-day are the "seed" for to-morrow; and that capital, if not money, represents in loans, debts, or produce a right to money, a right to have when wanted an equivalent for what it abstained from using and lent to others. Capital is a "deferred payment," a debt payable on demand, and until demanded, is entitled to interest, in proportion to the risk incurred in lending it. Any such prohibition of interest in our age and country would, without doubt, be unjust towards lenders and destructive to trade of every description. Among all the remnants of ancient laws it would be difficult to find one which, in the present state of society, it would be more foolish and hurtful to revive and enforce. It could only suit a state so constituted as was that of the Israelites by Moses. The taking of interest for the loan of money was first prohibited in England by Edward the Confessor. This law, however, appears to have become obsolete; for, in a council held at Westminster in the year 1126, usury was prohibited only to the clergy, who, in case they practised it, were to be degraded; and in another council, held twelve years afterwards, it was decreed, "that such of the clergy as were usurers and hunters after sordid gain, and for the public employment of the laity, ought to be degraded." The earliest mention we find in English history of a certain

yearly allowance for the usury or interest of money is in the year 1199, the tenth and last year of Richard I. In this case the rate of interest was 10 per cent. This appears to have been the ordinary or market rate of interest from that period until the time of Henry VIII.; but there are many instances on record of a much higher rate of interest being taken, especially by the Jews and the Lombards, who in those times were the principal money-lenders. The exorbitant interest taken by them is supposed by eminent writers to have been the cause of the prohibition of usury.

In the year 1546, the taking of interest for money was made legal in England, and the rate was fixed at 10 per cent. This act was repealed in the year 1552, but it was re-enacted in 1871. The legal rate of interest was reduced to 8 per cent. in 1624, and to 6 per cent. in 1651. In the year 1714 it was reduced to 5 per cent., where it now remains. The legal rate of interest is still 6 per cent. in Ireland.

After the taking of interest was sanctioned by law, the term *usury*, which was previously applied to interest in general, became limited to denote a rate of interest higher than that which the law allowed. Mr. Gilbart says: "Erroneous views are often entertained of the Mosaic laws, from neglecting to consider the state of the people to whom these laws were given. It was the object of the Jewish legislature to make the Jews a purely agricultural people. The promotion of agriculture was, as Montesquieu would say, the *spirit* of his laws. Hence he prohibited the taking of interest for the loan of money. By this means he interdicted commerce. His design was to prevent the Israelites from associating with the

surrounding nations, and learning their idolatrous practices. But even Moses permitted the Jews to take interest for the money lent to strangers—a circumstance which proves that the prohibition was only a political and not a moral precept. If the taking of interest for money were really wrong, it would have been forbidden in all cases. But in the Middle Ages the political and the moral laws of Moses were confounded together, and all of them were supposed to be of perpetual obligation upon all nations. These opinions, which might have been useful in a purely agricultural state, were still indulged when a change of manners required that this country should become commercial. If we admitted the unlawfulness of taking interest for money, we might on the same principle condemn all kinds of commerce, and even all profitable investment of capital. Where is the difference between taking money for the use of money and taking money for the use of commodities that are purchased with money? If I lay out £100 in the purchase of a house, I am allowed to take rent for the use of that house. Why, then, if I lend to a friend the £100 with which he purchases a house, am I to receive no remuneration? If we are not allowed to receive any money for the loan of money, why are we allowed to receive money for the loan of a house or coach, or any other article? An exorbitant charge for interest is certainly unjust, but so is an exorbitant charge for any thing else. Money is a necessity. A merchant having bills to meet must find it somewhere, at some price. It is this urgent need of the whole body of merchants which runs up the value of money so wildly in a great panic. On the other hand,

are the people who will use the Suez Canal if any use it." But, on the contrary, the main use of the canal has been by the English. None of the nations named by M. de Tocqueville has the capital, or a tithe of it, ready to build the large screw steamers which alone can use the canal profitably.

This is a broad question, yet how often you hear this man condemned for trading beyond his capital, the other's success demurred to because he had abundance of capital—both positions hard to prove, as often a man will fail when his capital is no less in proportion to his trade than it has been at many periods of his career, and yet he has succeeded before, whereas now he has failed. I am strongly of opinion that good management with a little capital is more likely to lead to success than an abundant capital without the good management. Many concerns have too much capital; the proprietors are always grumbling, and tell you they do not get interest for their money. This is because interest is added to the working expenses, for capital that is "unproductive—merely a big balance at the bankers." It is almost incredible the absurd ideas many merchants and manufacturers have as to the necessary capital to carry on a business. It is surprising the little capital needed by skilful financiers—viz., men who understand "money." There is plenty of evidence of men with no capital, or very little, being always punctual in their payments, their word their bond, whilst others with abundance of capital are never to be depended upon. Finance, like Fortune, will not be played with; to succeed with her, you must understand her, must work, must be in earnest. To make capital pay, it must be used. I have no

opinion of any tradesman as a "man of business" who has a large balance always lying idle at his banker's. The banker, of course, knows the value of money too well to let it remain idle ; so he makes the profit that the customer might have had. A good man of business has his pay days always in view, knows the days that will require all his strength, and carefully lessens the weight all he can beforehand by taking advantage of every opportunity that offers to put part of the burden a little later on, or, if in a position so to do, to prepay and lessen the *extra* strain of any special day. And having this liability ever present in his mind, he never loses the chance of a sale, if there be a profit—if the same will be paid for by or before that date ; and so masters the difficulty that to an outsider would seem insurmountable, by knowing exactly what he has to do, and using every available resource to meet it. Such men will sign a check, although it exhausts their balance at the bank, seemingly as unconcerned as if they had thousands lying idle ; whilst the other type, to whom finance is a mystery, who dread pay days and view bills with horror, will often lose their discount, damage their credit, for fear, if they pay, some unknown claim may be made, and they not have the wherewith to meet it ; or, being always in dread of not meeting their bills, will call and tell you they hope the bill will be met, etc. It is difficult, if you take the two extremes, to know where to draw the line and say, "It was fraudulent of this man to do such a trade with so little capital," as in many cases the man could prove he had done so before ; but his judgment has erred at last—he has got his money locked up, or some error of judgment has made his weakness known to others.

The real crime is not in the insufficiency of capital, but in a man keeping on and incurring fresh liabilities after his balance-sheet must have shown him the hopelessness of the struggle. The capital, indeed, will depend upon the credit you can get; this will depend upon the man as much or more than upon the money that he has. Briefly, a good manager will buy as well, and get longer time, will sell at as good a profit, and yet get his money in earlier, and will make more of the money, than the bad manager. So, before you can decide what capital is necessary, or if you can lend money, you must know who the man is, and his business capacity.

The same remark applies to nations. Thrifty business people do not lock their money up; and you may judge the character of a country by the amount of its loanable capital, which represents the spare wealth of the people, which is deposited at interest in the banks.

In 1840 the amount deposited with the various banks was £100,000,000 sterling; at the present time it is estimated at £600,000,000. There is more money than the banks can use, unless the bankers enlarge their range of action, or the public use their money more themselves. There are lots of opportunities where one man could help another, by lending him money to take a trade or extend his trade, where a banker dare not; so the money lies idle, and unproductive to the nation. It may be suggested that the present is quite an exceptional time; that we are, and have been, passing through a period of depression that has perplexed the keenest economical inquirer. But if the causes are as suggested by me, there is every reason to fear not only the continuance, but more frequent recurrence, of these long depressions.

There have been times in which the crises have been more acute, but never any in which they have been so prolonged as from 1874 to 1879. This cloud will pass away, but if we are wise, some steps will be taken to remove the cause. There must be a cause, and the same should be ascertained and removed. One cause is an ignorance of currency and its laws by the people generally.

"Money,"—what a simple thing it seems! Yet to whom is explained its nature, its power for good or ill, at any school in this commercial kingdom? Our teachers want to know more of men, more of the real world, less of books. They are not, as a body, rich, and would be able to plead most forcibly as to the value of money; although I doubt if any man can know the real value of money like the tradesman. And yet he is so ignorant of it that, like the pagan, he worships it as his god, and in his eagerness to clutch it, to meet his own sore needs, while failing to realize all its powers for good in the world, he, alas! forgets its power also for evil, and that it may be a blessing or a curse to its possessor according to what he does with it. The solid progress of wealth in a country can only take place when those of its people who, by frugality, industry, inventions, or skill, have earned, produced, more than they have consumed—"saved money," as we put it—use their judgment wisely in the investment of the capital so acquired. All depositors and investors must recollect that in handing over their capital to an individual, company, or bank, they are trusting their money implicitly to the judgment and integrity of the party they are leaving it with. And although no one values banking more highly than myself,

I should like to see the people regard bankers more as the "book-keepers of the nation," and see that, by the general use of banks, exchange to any extent, settlements to any amount, may be effected without the use of coin; regard banks as places where money can be borrowed, or bills be discounted—as places of security in which capital may be lodged till the owners of it have discovered an outlet for its employment, which I maintain should be sought after more by the capitalist and less by the banker than heretofore.

PANICS.

In "Lombard Street" Mr. Walter Bagehot says that "any sudden event which creates a great demand for actual cash may cause, and will tend to cause, a panic in a country where cash is much economized, and where debts payable on demand are large. In such a country an immense credit rests on a small cash reserve, and an unexpected and large discount of that reserve may easily break up and shatter very much, if not the whole, of that credit; hence the frequency of panics." The structure rests upon credit, and the remedy seems so simple: remove the cause that shakes confidence, that undermines this credit. For a people to go on, subject to ruin at any moment from such accidental events as a bad harvest, an apprehension of foreign invasion, the sudden failure of a great firm which everybody trusted, the stoppage of a bank, and other similar events, is simply ridiculous. One thing is certain—one or the other of such events every now and then is sure to happen. Common-sense suggests the inquiry, Why not prepare for their coming? The reply will be in general: There must

be good and bad times, and our industrial organization is so complicated and so liable to changes, that panics come, they will tell you, by a fixed rule, every ten years or so. I deny that panics must come. It is a similar fallacy to saying that every child must have the measles, or that every one would have the small-pox unless vaccinated. Because A produces in excess of what B wants, or B buys more than he can pay for if the same be not sold, or C, through the laxity of his banker, trades on accommodation bills, or renewal of bills, and when a crisis comes, they fail to get the help hitherto afforded them, and by their failure aggravate the disease, is not sufficient reason to show that the disease ought to have occurred, or that it need be made worse, having occurred. The times are good when there is no idle labor, no capital lying dormant, life everywhere, no sluggishness; and as A being occupied, gets for his labor or skill money, and with that money buys of B, and so on, you will at once perceive how it is that if A's employer fails, A not getting the money, cannot buy of B, and B cannot buy of C, and so the wheels of distribution are stopped. The transition to the good or the bad times is sudden and complete in a complex society like ours, in which every one is dependent on the labor of every one else; and so the loss by one spreads and multiplies, and affects all. This is also noticeable when food is dear, as the amount of absolute necessaries which a people consumes cannot be much diminished. The additional amount which has to be spent on them is so much subtracted from what used to be spent on other things. After two or three bad harvests, if corn be dear, every industry is impoverished, and almost every one, by be-

coming poorer, makes every one else poorer also. All trades are slack from diminished custom, and the consequence is—capital unemployed, much idle labor, and less production.

In England, during a panic, and for some time after, everybody is suspicious of everybody; the mistrust spreads; but in 99 cases out of 100 there is no foundation for the report, and as soon as the calamity is over, all is forgotten, and in the same thoughtless manner we find everybody again willing to trust and confide in everybody. This is partly owing to the speculative way we have got into of doing things, and the up-and-down action of prices. In the year preceding the panics of 1847, 1857, 1866, 1873, we find a general rise in prices, and in the year succeeding these years a great fall. After a panic people are afraid of new investments, and mistrust many of the old ones; so that there soon ceases to be an excess of loanable capital. But it must always be remembered that the state of the money market at such times is one of stupor; it is a state of plethora from inaction, and not from strength. There is still that want of confidence in August, 1879, when I am writing this, which, should any new causes of alarm spring up as the result of the nearly certain disastrous harvest or of continued bad trade, will soon make money dear, and our store prove none too large for our necessities. Our liabilities are immense. The Bank of England has no power by law to increase the currency, except by an increased deposit of bullion. With this "cast-iron" system, it is as well to think over a few of the following items, and see the amount of legal tender held by our bankers against their liabilities.

APPROXIMATE STATEMENT *of 73 out of 118 of the Joint-Stock Banks of England and Wales from the two Half-Yearly Balance-Sheets, as published in the "Economist," October 19, 1878; and of 74 out 119, May 17, 1879.*

LIABILITIES.

Joint-Stock Banks of England and Wales. (73 out of 118.)	Capital Paid-up.	Reserve Fund, Dividend, and Undivided Profits.	Notes in Circulation.	Liabilities on Bills in Circulation, Acceptances, Credits, Drafts, Rebate, etc.	Deposit and Current Accounts.	Total Liabilities.
	£	£	£	£	£	£
For the half-year ending June 30, 1878 . . .	40,599,420	17,530,345	27,390,448	12,508,912	235,392,087	333,421,212
Joint-Stock Banks of Scotland	9,045,780	4,857,882	5,509,191	6,687,360	69,896,946	95,997,159
Add City of Glasgow, failed Oct. 2, 1878 . .	1,000,000	592,096	710,252	1,488,245	8,102,001	11,892,594
	10,045,780	5,449,978	6,219,443	8,175,605	77,998,947	107,889,753
Joint-Stock Banks of Ireland (on 44 per cent.)	2,950,000	1,374,141	1,977,508	86,620	18,736,521	25,124,790

Joint-Stock Banks of England and Wales. (74 out of 119.)	Capital Paid-up.	Reserve Fund, Dividend, and Undivided Profits.	Notes in Circulation.	Acceptance Liabilities (where stated).	Liabilities on Bills in Circulation, Credits, Drafts, Rebate, etc.	Deposit and Current Accounts.	Total Liabilities.
	£	£	£	£	£	£	£
For the half-year ending Dec. 31, 1878	40,426,932	17,138,431	30,134,904	15,378,376	2,644,598	228,902,459	334,625,700
Joint-Stock Banks of Scotland . .	8,896,500	4,907,113	5,568,656	5,137,947	1,285,152	67,423,834	93,219,202
Joint-Stock Banks of Ireland (on 44 per cent.) . . .	2,950,000	1,396,420	1,906,911	24,871	80,119	18,199,979	24,558,300

COLONIAL JOINT-STOCK BANKS WITH LONDON OFFICE.

Liabilities, June 30, 1878	£149,671,767
Cash in hand and money at call	22,756,594
Liabilities, December 31, 1878	156,305,379
Cash in hand and money at call	21,657,180

FOREIGN JOINT-STOCK BANKS WITH LONDON OFFICES.

Liabilities, June 30, 1878	£60,026,998
Cash in hand and money at call	7,571,763
Liabilities, December 31, 1878	59,466,147
Cash in hand and money at call	8,128,227

ASSETS.

Joint-Stock Banks of England and Wales. (73 out of 118.)	Cash in Hand and Money at Call.	Investments, Government Stocks, etc., where stated separately.	Bills Receivable and Discounted, Overdrawn Accounts, Loans and Other Securities.	Buildings and Sundries.	Total Assets
	£	£	£	£	£
For the half-year ending June 30, 1878	61,334,223	57,318,003	210,393,129	4,375,857	333,421,212
Joint-Stock Banks of Scotland . .	5,497,946	19,356,715	69,783,832	1,358,666	95,997,159
Add City of Glasgow, failed October 2, 1878 .	845,963	2,296,840	8,484,467	265,324	11,892,594
	6,343,909	21,653,555	78,268,299	1,623,990	107,889,753
Joint-Stock Banks of Ireland (on 44 per cent.)	3,267,041	2,622,071	18,647,206	588,472	25,124,790

Joint-Stock Banks of England and Wales. (74 out of 119.)	Cash in Hand and Money at Call.	Investments, Government Stocks, etc., where stated separately.	Discounts, where stated separately.	Advances, Loans, Bills Discounted, Overdrawn Accounts, and Other Securities.	Buildings and Sundries (Including Cover for Acceptances, as in Col. 4)	Total Assets
	£	£	£	£	£	£
For the half-year ending December 31, 1878 .	71,851,492	56,330,176	186,610,511		19,833,521	334,625,700
Joint-Stock Banks of Scotland	5,348,584	17,228,405	62,932,553		7,709,660	93,219,202
Joint-Stock Banks of Ireland (on 44 per cent.)	3,516,368	2,627,712	17,725,637		688,583	24,558,300

ASSETS.—Continued.

Savings'-Bank Returns.	At May 3, 1879.	At Corresponding Period Last Month.	At Corresponding Period Last Year.
Total amount at the credit of:	£ s. d.	£ s. d.	£ s. d.
The Fund for the Banks for Savings	43,130,940 0 1	43,275,992 6 2	43,700,496 8 0
The Post-Office Savings-Banks Fund	31,869,877 17 5	31,695,146 17 4	30,224,336 11 8
Total	75,000,817 17 6	74,971,139 3 6	73,924,832 19 8

P. S.—For this large sum no cash whatever is held; it is all invested in securities of the best kind, still liable to be asked for.

If you compare the items that make up the assets, you will observe how small a proportion the cash in hand, etc., bears to the total liabilities; on an average, it is about one sixth. The magnitude of the liabilities shows how susceptible to the least whisper of suspicion the money market must be. And you will see the importance of the "currency question," also the forethought and caution necessary when in a short time, as credit improves and trade revives, provisions get back to their usual price, or something happens to give one of the great industries a push onwards, and the country will seem to leap forward into prosperity as if by magic. *Then is the time* for prudence to step in, for the brain to ponder over the causes of this great change. Does it arise from a greater quantity being produced, generally, of the right articles? Because, if so, the basis is good, the increased demand being to supply in larger quantity, and with increased rapidity, the wants of men profitably employed. Or is it only based on some general advance in prices? for, if so, it is only an imaginary, a fictitious

prosperity. A general rise of prices is only a rise in name; it is not a real increase of the national wealth or capital. Where is the benefit if what one gains on what he sells, he loses in the increased price charged for what he buys? "Money" is but the medium of exchange. You are no richer if what you sell be exchanged for two sovereigns, instead of one, should the two sovereigns only enable you to buy as much and *no more* than one would have done. It is singular how pleased nearly all sellers are when prices go up. Take the American war. Cotton goods went up to nearly double their price. In selling a "sixpenny" cotton for ninepence, the seller thought he had done well, made a "large profit"; forgetting that with the ninepence he could only replace as much cotton. In reality he was *no richer;* his real wealth was still the same, "valued in cotton"; but the higher prices made his capital seem larger. More money is needed to do the same amount of trade, and money becomes dearer. It is no gain to the one class; and the higher prices are really a reduction in all "fixed" incomes, whose money will obtain for them in exchange *less food* than heretofore. Nevertheless, most people like "high prices"; in their ignorance of the subject, they think with 40*s.* they must be richer than if they had only 20*s.;* forgetting altogether the essential point, that the value of the money depends on what it will exchange for, and therefore increased price or wage is useless, unless it will exchange for more than the lesser price did when all goods were cheaper. "Increased production" is the only policy, each one contributing to the general stock, and receiving in exchange more to consume. Getting higher prices for the thing produced

may be beneficial to the individual, if others do not ask the proportionately higher prices for their products; but increased production, and all produced at the cheapest cost, is the only basis for the national welfare and prosperity, for really good times. The "good times" of high prices lead to mad speculations, reckless overtrading. It is strange how for a time people seem careless enough to believe in any thing that promises them a good interest; but adversity is no sooner seen, a few of the schemes are no sooner found to be worthless, than begins again a senseless panic; people are as mad to sell as they were to buy, bubble after bubble bursts, confidence is gone. And until mankind will think more, and not be led by others, there must be a recurrence of these ills. But they do much harm, weakening credit; and a remedy should be devised to stop the innocent from suffering, as they do now, with the guilty.

The magnitude of our commerce, and the number and magnitude of the banks which depend on the Bank of England, are undeniable. In 1857 the loans on "private securities" by the Bank of England increased from £20,404,000 to £31,350,000, and in 1866 from £18,507,000 to £33,447,000, because of the larger number of people under great liabilities here. So, when prosperity seems at its height, by our present system of banking, directly the slightest breath of adversity is apparent, the whole commercial and monetary structure is ripe for a panic. And for this reason there has been a great expansion of all the industries, upon the system of credit, —credit, that symbol of man's faith in man; but all at once, when the ship is at full sail, and every shred of canvas is in use, every timber strained to the utmost

tension, there comes a whisper of danger; there has been found a leakage. Man's trust in his fellow-men is weakened by some rumor or stoppage; a revolution takes place; all are eager to fly from the wreck, to save themselves from ruin; and in their mad eagerness, they damage our commercial system, and one day will destroy it, unless steps be taken to avert these terrible catastrophes, these social shipwrecks. They must inevitably occur again, if we persist in the "finality" doctrine and refuse to remember that, since 1844, thirty-six years have passed—a period remarkable for its material progress and banking development. Our people do not hoard their money; they are bolder with it than any other people. If they do not lend it personally, they deposit it with bankers, and borrowers go to them for it. The same sum scattered in tens and fifties through a whole nation is no power at all. No one knows where to find or whom to ask for it. It is the concentration of money in banks that has made all people in want of money come to us for it; and the country of banks by this means aids in the carrying out vast works which, but for that aid, would never have been planned. It is our "banking system," the faith of our people in "depositing" their money in the banks, that has made our money market so exceedingly rich, so much beyond that of other countries. With such a responsibility hanging over us, the "masterly inactivity" doctrine is only excusable because of the people's utter ignorance of the subject.

A panic is spread as follows: The bank reserve is getting low; trade in England is carried on with borrowed money; a panic takes place; credit is shaken;

people are not content with the "promise to pay," they want to be paid. The banks, to protect themselves, and each fearing a run, refuse to discount, except to their own customers, and are less willing to do this than heretofore. The manufacturers and merchants are under serious liabilities, and even if their books show 40*s.* in the £, must stop payment, unless the banks will help them. They cannot by our present system; so houses that are considered good fail; the panic spreads, and carries in its train misery and ruin, until matters get so serious that the act is suspended, and the Bank of England does at last what should be done at first—*lend freely* to *all* able to deposit with it security for the same. But what a satire upon us as a "practical people"! To satisfy the crotchets of certain monetary doctors, every eight or ten years we permit this modern plague to visit us, and instead of adopting the modern view, of strengthening the patient at the first symptoms, thus checking the disease, we allow it to weaken, kill a lot of patients, and spread into healthy districts, instead of stamping it out at the first sign; or, better still, having such a system in operation that the disease will have no chance of a victim. What is the disease? A ravenous monster that will only be satisfied with "money." Why such an insane desire for it? Because of limiting your money to some fixed sum—one of the most foolish things ever done by a wise man. Let the principle upon which the same "limited" sum is based be extended to meet the wants of 1880, and not restrict us, as if our operations were to be confined to the ideas of 1844. Let the act be altered, and let the people know that money—or what they will take as willingly as money, Bank of England

notes—can be had *ad libitum*. But how is this to be done? By the government alone having the power to issue notes; by letting every bank, or any one, have these "notes" by depositing the requisite security for the same; placing all banks upon an equality, each keeping his own reserve, as if its life and credit depended on itself; government not restricted to one bank, but having the choice of banks. At present the Chancellor of the Exchequer, when borrowing on deficiency bills, is confined to a single bank, which can fix its own charge; whereas he should be able to borrow of the cheapest out of many competing banks. The nation would be helped by a diffused system—"national notes," freely issued by banks all over the kingdom; and in this simple manner we should get a large revenue by charging stamp duty for every note, and also prevent panics, by giving our system what it needs—confidence in the mind of every banker that he can obtain "money" to any extent to supply the needs of all who may apply for it, if he has the requisite security to justify his having the same. The more you study the subject, the more you know about "money" and "panics," the more you will become convinced that it is not real scarcity of money, but a general dread, a universal mistrust, an apprehension more or less strong, in the mind of every banker, manufacturer, merchant, and trader, that makes all anxious to secure all the money they can, and to keep it for fear of not being able to get it in case of need. If this be so, by removing the dread, we get rid of the cause, and the disease will die a natural death.

Do not misunderstand me; no advances need be made upon which there is any risk. To refuse bad bills or bad

securities never created a panic, or made one worse; the "unsound" people, the amount of bad business, being but a small portion. To prevent or check a panic, it is only needful that the great majority, the "sound" people, are protected from anxiety, loss, or ruin by a system that will give "money" to all such people as have good security to offer for it. Even under the present system, in these circumstances, the wiser policy is for the banks to be "more liberal" than usual, instead of the reverse; as when it is rumored about that the Bank of England, or other banks, are refusing good and usually convertible securities, the panic must become worse and worse, as no one feels secure. What is wanted, and what is necessary to stop a panic, is to diffuse the impression that though money may be dear, still money is to be had. If people were convinced that they could have money if they waited till they wanted it in the ordinary way of their business, and that ruin is not coming, they would cease to run in such a mad way for it.

You may lend a great deal, yet not give the necessary confidence. Bankers should see how essential this is for their own security; the bold policy is the only safe one. Lend as if you have an illimitable stock of money. In "Lombard Street," Mr. Bagehot says: "Lending freely is the best method to check the demand. The brave policy, lending on every kind of current security, even on securities upon which money is not ordinarily lent, is more likely to get the banker higher praise than being timid, exhibiting a nervous caution, *refusing to lend on this or that*, that hitherto has been taken without demur. Take the panic of 1825. The Bank of England tried every means to restrict its advances; the reserve being very small,

it endeavored to protect that reserve by lending as little as possible. The result was a period of frantic and almost inconceivable violence; scarcely any one knew whom to trust; credit was almost suspended; 'the country was,' as Mr. Huskisson expressed it, 'within twenty-four hours of a state of barter.' The government were pressed to issue exchequer bills, but Sir Robert Peel refused, and the bank was ordered to issue their notes on the security of goods, instead of issuing them on exchequer bills, such bills being themselves issued on that security. They reluctantly consented, and the principle of such action being sound, the success was complete. As they lent money by every possible means, and upon every kind of security, matters settled down, and there was no real panic in the money market till 1847. In 1847, 1857, 1866, the bank made very large advances, and more readily than it did in 1825. But there is still no certainty as to what the Bank of England considers 'good securities.'" Mr. Bagehot doubts if the Bank of England in a panic would advance on railway debenture stock, and many other such securities. It should be clearly understood that money is to be had upon all genuine securities. The amount of *the advance*, of course, must be left to the discretion of the banker. But the principle of lending should be clearly defined, for all banks to lend on *every kind of security, irrespective of its nature, always assuming the security to be good, and more freely, if any difference, during a panic.* The certainty of getting money would be a great relief to the minds of manufacturers and merchants, as industrial operations would not be checked suddenly, and goods sold for what they will fetch, as now; for the experience of the past justifies us in

assuming that the "extra" demand for money would occur less frequently, and certainly with less persistency, than heretofore. The best palliative to a panic is confidence that the money is to be had if wanted; and, to ensure "liberal" action, we want the power to lend to be given to every banker; whereas, in reality, practically, the Bank of England, during a panic, is the sole lender. Therefore, until the Act of 1844 is altered, we must be liable to crises; and such crises will be a terror to us all, and national bankruptcy only averted, as heretofore, by the government at the last moment suspending the operations of the Currency Act, which, instead of preventing, as it easily might, money panics—viz., the fear of not being able to get money—increases the mischief, from its policy of limitation.

In the Appendix to "Lombard Street," Mr. Alderman Salomons, in his reply to the Chairman of the House of Commons' Select Committee, in 1858, confirms this view, although he made the statement to prove the contrary: 1146.—The Chairman: "The effect upon the London and Westminster Bank of the pressure in November, 1857, was, I presume, to induce you to increase your reserve in your own hands, and also to increase your deposits with the Bank of England?" "Yes, that was so; but I wish to tell the committee that that was done almost entirely by allowing the bills of exchange which we held to mature, and not by raising any money or curtailing our accommodation to our customers." Yet Alderman Salomons admits that between the 11th of November and the 31st December, 1857, the bank strengthened itself by allowing bills to the value of £5,000,000 to mature; that is to say, they added to

their own reserve by "not discounting for bill brokers, as heretofore, to the extent of five millions of money in seven weeks,"—a most serious withdrawal of accommodation from the commercial world by one bank. Mr. Salomons fails to see, by allowing bills to mature—remaining quiescent, as he puts it—to enable the bank to meet any demand that might be made on it, that virtually, by this action, instead of helping the commercial world, this bank withdrew from commerce its usual support to the extent of five millions of money. Mr. Salomons in his evidence admitted that the opinion was "thoroughly engraved in the minds of the commercial world, that whenever you have good security it ought to be convertible at the Bank of England in some shape or way; and he said he had great doubt indeed whether the bank can ever take a position to refuse to assist persons who have good commercial securities to offer." There cannot be two opinions upon this subject. To save individuals from ruin, to save the nation from suffering, to protect the capital of the kingdom from unnecessary loss, a change of owners, manufacturers and tradesmen having good bills to offer for discount, or good security to borrow upon temporarily, ought to be free from any apprehension, free from any doubt, that at their own bankers, or at the Bank of England, or in some way, there are facilities and means for discounting the bills, or getting the "money" needed to carry on the commerce of the country.

The limitation of the Bank Act must be removed. There is no reason why the limit should be fifteen millions; whilst there is every reason why the act should be altered and the sum enlarged. There is no necessity

for a fixed sum. All we want is *security* for the notes issued—the same as now enforced by the act, and similar to the prudent action of the Metropolitan Board of Works, which, collecting a great revenue in London, has an account at the London and Westminster Bank, for which that bank makes a deposit of consols as a security. It is a great error of judgment to rely upon suspension of the act to save us; such actions damage the national credit. Besides, why should we repeat the risks of the past? Mr. Pitt, in 1797, feared that he might not be able to obtain sufficient specie for foreign payments, in consequence of the low state of the bank reserve, and he therefore *required* the bank not to pay in cash—said they must not; and from 1797 to 1819, the period of the bank restriction, as it is called, the bank did not pay its notes in gold—in reality, a suspension of payment; which was nearly repeated in 1825, when *only coin* was a legal tender, and the bank had reduced its reserve to £1,027,000. Except for the "letter of licence" by the government in 1847, 1857, 1866, it is doubtful if they could have kept on; although no one doubted ultimately that the Bank of England would always pay 20*s.* in the £ to every creditor and shareholder; but the law is, *that it pay its notes in gold on demand.* On Nov. 13, 1857, however, the banking reserve was reduced to £957,000, and the bank only kept open through the suspension of the act, and the "letters of licence" from the government enabling them to borrow from the currency reserve, which was full, in aid of the banking reserve, which was nearly empty. This crisis taught the directors a lesson, and they have since taken the proper steps to avert such a catastrophe—viz., raising the bank rate in

good time, and adopting Mr. Goschen's recommendation to raise the rate by steps of one per cent. at a time when the object of the rise was to affect the foreign exchanges. The elevation of the rate of interest is the bank's safety-valve. It has a double action; it lessens the demand for, and increases the supply of, money; and experience has proved that loanable capital, like every other commodity, comes where there is most need of it, where it will be best paid for. When the bank raises its rates, or as soon as the rate of interest shows that it can be done profitably, continental bankers and others instantly send large sums here.

I quite agree with Mr. Bagehot that what we want is the "national" system—government to be the "issue department," and to leave bankers alone; so that instead of, as now, relying on one bank, there would be many banks of equal or not altogether unequal size. In all other trades competition brings the traders to a rough approximate equality. Banking should be free, a republic with many competitors of a size or sizes suitable to the business. At present we have a constitutional monarchy, one it would be unwise to overthrow; as the credit of the Bank of England has grown with its growth, and could not be reconstructed. But it would be wise of us to gradually prepare a system, so that the banks would keep their own reserves, and rely upon themselves, instead of leaning upon the Bank of England, which in its turn depends on government aid for help in a crisis.

In a "panic" we forgot what paper money was introduced for—viz., to take the place of coin. The subject of money not being generally understood, we have not

wisdom enough for the occasion, and therefore fail to make use of our credit system, as the legitimate means to compensate for the temporary absence of, or increased demand for, gold. Panics do not arise from the want of gold, but from the limitation and restriction of the amount of the *ordinary accepted currency* of the kingdom at those periodical junctures when the nation requires more of the circulating medium ; and it can be proved that a larger issue of bank notes at these periods stops the distrust, the blind fear, that creates panics. The Currency Act should be altered so as to give confidence and remove the senseless fears of timid, thoughtless people, and thus prevent panics, and the ruin that accompanies them.

INDIVIDUAL SUCCESS.

Are there causes of success and failure ? Can money be made by earning it, by saving it, by wisely investing it ? Yes ; there is no higher mission than to teach men, all men, the practical lesson that if they want any thing in this world they must learn how to earn it. To acquire excellence in any thing, you must work—work persistently, unceasingly. There is an idea general enough that talent is best left alone to sink or swim, but I fear many sink who might be worth the saving. The soul may perish from a sheer lack of a spoonful of soup in the mouth. Look at the vast mass of people in every country under the sun, century after century, struggling to live ; born, as it were, only to know the pangs of life and death, and of nothing more. Methinks that human life is, after all, like a human body with a fair and smiling face, but all the limbs ulcered and cramped and

racked with pain. No surgery of statecraft has ever known how to keep the fair head erect, yet give the trunk and the limbs health. Why? Because the attempt has never been made earnestly; for the nation could, as easily as the individual, weather all difficulties if they had pluck and patience enough to overcome them. But it is of the utmost importance that men should see that the fault is in themselves, and that our teachers should perceive that what is wanted is a motive power to draw out what is good in people; for there is a great deal more good than is generally supposed. Why is it that men remain pigmies when they might be giants? "Man, do thy own work, and know thyself" (Plato). To make money, to be successful, it must be taught as a fact that to achieve success in any calling, every man, each in his place, must put his hand to the work as if he was working for his very life, and from a sense of honor built upon self-reliance and self-help. To succeed, one must earnestly strive, as a trader, not for the mere gain,—as a doctor, not for the fees,—as a statesman, not for popularity,—but from the sincere desire and firm resolution to succeed in doing your duty in your calling; earnestly striving at the same time for the welfare of others. Is there a more miserable object than the man who has become so absorbed in the desire for wealth, so selfish in his views, that he is the slave of his own selfish desires, thereby depriving himself of all the higher pleasures his nature is capable of? A real man will toil amid obstacles, struggle against impediments, allow neither wrath nor despair to slacken his energy—determined to succeed. In fighting against a false system, or in denouncing the blighting curse of an unsound practice, one needs

the tenacity and will of Hercules to cleanse the Augean stable. Such men are upheld by their disgust at the folly, as well as foulness, of any immoral system that, to their clear minds, is as loathing as it is unnecessary,—upheld because their efforts are not for the mere pursuit of gain, but a desire for the triumph of truth and virtue. "A wise man should have money in his head, but not in his heart" (Swift). Talents are like vigor of body,—they demand to be used. You need not desire to be rich, but all need to live; so all should be able to earn a competence, and be prudent enough to provide for a rainy day. The sluggish brook, gathering its stagnant waters from miry swamps and malarious quagmires, cannot be blamed because it is not a strong, sparkling, enterprising river, giving joy wheresoever it flows. To improve the brook, we must remove the cause of its sluggishness, and give vitality to its waters. So, to get men from being the unstable, dawdling, shallow-minded beings they are, we must give them an interest in life that will move within them the spirit to be better, and have nobler objects and aims in life than heretofore. Once set the ball rolling, who can say when it will stop? Men will be led to follow their fellows when they see the beneficial effect of continuous, persistent effort in the direction for good; and the world will not be so weary, when men see that to all, by the laws of God, is vouchsafed a consummation of desire even in this world; that reward is not withheld here below, if the proper means be taken to realize the same. Oh, for the time when the majority will not have to stand without, and look through barred gateways at the light and warmth which shines for others, but never for them! To achieve

this result, men must be taught so as to comprehend clearly tha[t]

> Fortune is the drudge and servitor
> Of those who act, and ask not benison
> From her capricious hand; while they alone
> Are her dull slaves who let the deed go by,
> And think on bended knees to win her smiles."

There is no surer element to future favor, to success, than to be able to perceive when business is being carried on according to new principles. The mass lack the courage to plunge boldly into the new current of things, and so lose the chance of being helped by the tide which would carry them on to success and fortune, and by foolishly fighting against it they lose the little hold on fortune they had obtained. Men will not learn from experience that "the infinitesimally small plays in the evolution of humanity the same latent and incessant part as in the evolution of nature" (Ribot). Nature attains great results by what seems insignificant means. Our bodily and mental capacities are developed and enhanced by practice and stern necessity, and the difficulties arising from new rivalries are necessary to rescue us from the torpidity and stagnation that follow from our being mere creatures of routine; the growth of habit making the reflective man descend to the instinctive savage or animal. It is not sufficiently considered to what a remarkable degree the organic and mental faculties may be developed, and also how largely they may be influenced both in degree and direction by the circumstances and conditions of our surroundings in life. "As the eagle, by soaring in free air and among rocky heights, adapts itself to soar, so the mole fits itself by habit for

the loose surface earth on which it lives, and the seal for its element, the sea" (Goethe). Man is a higher order of being, and it has not been sufficiently impressed upon him how necessary it is to ponder the exigencies of his time—to go about the daily life with his eyes open, observing carefully and then thinking over what he has observed. Trained judiciously, he has power within him akin to the marvellous, an intuition of judgment we briefly call "common-sense." Started in the world, and told to read all he sees by certain premises stamped upon his brains, as the infallible chart for him to guide his life by, we see him blundering on, unable to read rightly or see correctly; hence, if able to think, his reasoning may be right, but his conclusions wrong, being built upon incorrect data.

The middle class of our day have a lesson to learn. A new power is in their midst. They must look their opponent in the face, recognize his strength, and, to arrive at a correct conclusion, start from a correct premise, viz.: that the real point is, who can supply at the least profit? which is the cheaper process of distribution to the consumer? By this test the question will ultimately have to be settled, and from this point I advise all traders to view the question as it affects themselves, as opposed to the stores. It is useless arguing that the skilled trader has a superior professional knowledge; that he has a costly shop to keep, skilled assistants to pay. Time is certain to force buyers to the cheapest market; and it must plainly be perceived at once by the trading class that though the trader who asks a larger profit than his neighbor may not be a rogue, he is undoubtedly a fool, as thereby he is himself destroying his

prestige, cutting away the base upon which all permanent commercial structures must rest—is killing the goose which lays the eggs. A fatal error is being churlish to occasional buyers, more especially if you know that the buyer goes to the stores. It may be unpalatable—so is physic; but it is necessary for the health of the body; and the self-restraint and discipline is beneficial that forces us to be equally obliging and willing to serve the casual customer, who is making use of us, as the regular supporter. Attract him by selling articles as good, at prices as reasonable, with prompt and civil attention, and a disposition to study and oblige; and so be superior to the stores. There is no other way to conquer in the struggle. You may make matters worse if you drive customers away by churlishly serving, or refusing to accommodate, those who merely use you for their own convenience.

The next point is to frankly state that the prices of all articles sold shall not exceed the prices at the stores; but if goods are sold at store prices, they must be sold upon the store condition—ready money, strictly cash, to be paid when the order is given. *No* booking whatever; no expecting you to send goods home, and buyer promising to call and pay. This is *credit.* The goods having to be booked, the law considers it a debt, and liable to all the expenses and risks incidental to debtors. If a mixed trade of credit and cash, allow 10 per cent. for cash with order, or on delivery; but if the articles be not paid for when left, if the sale ends in what the law considers an act of indebtedness, reduce the discount to 5 per cent., send in all accounts quarterly, and close every account that is not paid within one month, after a second account

has been delivered. Paying 5 per cent. interest to tradesmen if they wait for their money is simply absurd. A debt is not a mortgage or a loan with good security; it is a loan at great risk, with all the worry, risk, and trouble incidental to every business. There are many businesses where it is wiser to buy of a tradesman with an established reputation, where the great advantage of the skilled tradesman's professional knowledge is of greater consequence than price. After great care and trouble, and with absolute accuracy, a skilled optician or surgical-instrument maker is able to supply you with the very thing you require; and to obtain these articles, furnished on the reputation of a man who has a character to lose, you must be prepared to pay. The same argument applies to nearly every thing. You may get your servants' liveries or your own clothing lower in price, but if they lack style or do not fit, they are dearer in reality than the higher-priced articles; but with the necessaries of life, and numberless simple articles, it is as well only to consider who will supply you at the lower price. The greatest grievance the legitimate trader has against the public is their unwillingness to pay cash when they order of him, although they do so without the slightest demur at the various stores.

The stores have proved that by the cash system goods can be sold at a low rate of profit, and that the rapid turn-over really gives a much larger net profit than the ordinary trader obtains. It is much to the credit of the civil servants and other promoters of associations that they have proved that a cash trade can be done; that such a trade can thrive and grow, can pay fair salaries to its servants, build or rent vast premises, pay fair interest

on capital, and charge the public an average moderate rate of profit upon all articles. The legislature has no right to interfere, except to remove any unfair advantage one trader may have over another. Tradesmen must rely upon themselves. To expect help from the legislature is simply absurd. What they have to do is to alter their system, reduce the costs and risks incidental to their mode of doing business, and think more of the consumers' interest by having fewer "middle-men," and bringing producer and consumer nearer together. As to fearing the stores, it is one of the most extraordinary delusions that ever entered the mind of a practical body of men. Take the Army and Navy Coöperative Society's balance-sheet for the half-year ending July 31, 1879. The sales for the six months were £891,142; the gross profits from sales of goods, £67,658—about 7½ per cent.; working expenses, £51,417, or with interest on debentures, 5 per cent. dividend on capital, and £2,500 off buildings; total expenditure, £56,770, leaving *a residue of* £12,267 to be added to the reserve fund. I say it is a disgrace to the trading class, firstly, that such a result by outsiders should be possible; secondly, that they are content to ask help from the government, like a weak child leaning on its parents, instead of following in the footsteps of a movement capable of producing such extraordinary results, obtained chiefly by a "rapid turnover," with ready money, and, after giving the buyer best value for his money, paying all expenses and interest, leaving a balance such as few merchant princes can show, nearly twenty-five thousand pounds per year, clear gain, *added to reserve*—mark this—by a society started on the coöperative principle, which means that all profits be

divided *pro rata* among customers. That these stores *pay well* there cannot be any longer a doubt, and my advice to the trading class is, "Go thou and do likewise"; if you allow the stores to undersell you, your occupation will soon be gone. The competition for custom—in other words, the struggle for existence—is so keen, that unless you can fulfil the needs of your customer, supply him as others can, you must choose another calling. To succeed now, the excellence of your goods and the lowness of your prices must compare favorably with the goods and prices of others. Dismiss from your mind the idea that the public are hard; the public have a right to go where they can best be served. You, I presume, go where you can buy to the best advantage, and we all take advantage, without scruple, of our particular trade knowledge to supply our wants from those who serve us best, and pay the distributer for his trouble as little as possible. Who pays retail prices if he can supply himself at wholesale? The great fallacy is, regarding the stores as if they had been started to injure distributers; whereas their object is to benefit consumers. Every man who sells at less price than his fellow in any trade might be accused, like the stores, of injuring the distributer; although, so far as was consistent with his doing so, letting all others live as well. There can be no doubt that the sting of the whole matter lies in the *success* of the new system, and it is to be hoped that the public generally will exercise forbearance with the retail traders whilst they pass through the transition stage, and give them time to realize as a fact that the unquestionable success of the new method of transacting the distributing business of the country,

unless it revolutionize, must eventually ruin their own. Men will buy in the cheapest market; the instinct of self-interest makes every man who has money to spend prefer buying an article for one shilling to paying eighteenpence for it. This principle underlies all trade—that is, all ready-money trade. The real struggle is between system and system, between cash and credit, between thoughtful, careful, thrifty buying with honest intent to pay, and reckless, thoughtless, improvident purchasing, alike devoid of principle and honesty. Success to the modern system, which is but a recurrence to earlier, simpler, fairer, and sounder principles of trading, which later, more complex, and more perilous practices of trading had obscured. The credit system is rotten at the core, and has grown to such an extent, in its risks, its abuses, its recklessness, and its injustice, that common sense and common patience at length revolted from its tyranny. Can it be wondered at that the public, or that part of it that means paying for what it buys, are so willing to accept a better and fairer system, and are ready everywhere to cast off submission to the old prescription, and revolt against the injustice inflicted on them by a system which made the honest, ready-money customer pay for the bad debts of the dishonest spendthrifts? The puzzle to my mind is, that so many traders still refuse to open their eyes, will still charge the ready-money buyer the credit prices, still refuse to give discount to the ready-money buyer, although they give it to the credit customer; then, when too late, they cry out because the ready-money buyer goes elsewhere directly the chance is offered in the form of a cheaper supplying medium for ready money.

Common-sense indicates plainly the remedy to all traders who find their business in peril. You are likely to fail because of the success of a new rival. How is this? Every trader tries to get as much profit as he can; all have the same object, to make a profit for themselves after paying all expenses. If by the old system so many are perishing, so many fail to see their way any longer to success, and if it be, as I have indicated, because the times are against the system of those who fail (and this may be accepted as an axiom at all times), and if this is more strikingly apparent because of the introduction of a new system, which is a great success, why not at once adopt it? I say unhesitatingly that the credit system is doomed; it cannot stand against the cash system, now the public see what they had to pay for credit; so cease to waste time objecting to the causes of this change, and adapt your practice to the altered state of things, and the true issue of the conflict will be the reform, not the ruin, of the "retailers'" trade. Be men, face your destiny; keep your customers, still accepting the proud position of being one of the "middle class" of England; rise above prejudice; turn your shops into stores; make cash the rule, credit the exception, instead of trying to live on under altered conditions, by the old exploded system of making credit the rule and cash the exception. The public do not care whether a business is carried on by government servants or not, whether it be managed by an individual or a company. Customers want in 1880 to be assured, as a very condition of their dealing, that it is possible for the tradesmen they employ to give them the best goods on the lowest terms, and that ready-money buyers need no longer be mulcted for bribes, bad debts,

and losses consequent on giving trust or keeping accounts for people who defer their payments. The credit system will linger yet for a long time; traders, if wise, will shorten this period, and, while snatching their own interests from peril, confer a vast benefit on society at large. It will be a great step in the progress of humanity, a system of trading that will make the mass of customers live "before the world" instead of "behind the world," and conduce to the incalculable increase both of healthy trades and of individual peace of mind. This essay is founded partly on one by William Lewery Blackley, Rector of North Waltham, in the *Contemporary Review* for February, 1879,—the most sensible article I have read on the subject,—and I shall be well repaid if it makes any trader reflect, and, seeing that the fault is in the old system, at once resolve to exchange it for the new, a good instead of a bad system, which will not only save traders, but regain trade. If they will cling to the wrong system, ruin is inevitable, and they will have no right to complain, since, with the issue put clearly before them, they have preferred to immolate their interests on the altar of their prejudices. Before deciding, remember I am suggesting no new theory, but only asking you to do what has been done already, for those who have adopted the new system have been so successful, that their efforts should encourage and cheer on all to attempt the same reformation. In 1862 I began the cash system long before stores were thought of, and have gradually developed the shop into the store. The freedom from the anxiety of book debts is as being transferred from hell to heaven, whilst the uncertainty of trade is removed by the sale of numerous articles; as when one department is

slack, the others are brisk, and the sales in one department lead to sales in others. The men who have no trade are no more justified in saying, "Success is impossible," than a person who never entered the water has to assure Captain Webb that no human being can swim.

Progress cannot be impeded. Should the electric light prove a success, no consideration for the losses of gas companies will prevent its adoption. The success of the stores will hurt, nay, exterminate those traders who refuse to go with the times; but the progress of the stores can no more be stopped to protect the trading class, than the railways be put aside to allow the old stage-coachs to be restored. Owing to the strikes and other causes, prices got higher; people with fixed incomes saw no other remedy than to reduce the cost of the necessaries of life. The majority being unable to increase their means, it was inevitable that they should all co-operate, or buy of those who did, so as to purchase what they required at moderate prices. The cash system will do away with many middlemen, who have only been necessary because they gave credit to a class the manufacturer would not credit, or gave the time by the old system of credit the retailers wanted. A reduction in prices of the necessaries of life will tend to reduce the price of labor, and lead to returning trade and a revival of prosperity.

Unfortunately, as Max Müller observes, "universal custom is more powerful than books, however sacred; for books are read, but customs are followed." Still, I do most earnestly ask the trading class to meet the wants of the times; reduce prices with cash payments; strive in every way to regain the confidence of the public.

Reduced prices mean a greater consumption, and the consequently increased demand benefits the workers of all classes. The change means really that the middle class, the distributing class, must do more, and do that more thoughtfully and skilfully, than heretofore. Individuals, as nations, dare not be deaf to the warning of Goethe: "Thou must rise or fall, must conquer and subjugate or serve and surrender; must suffer or triumph, must be anvil or hammer." "No finality" must be our motto; the world will progress whether we wish it or not. In days gone by the defence of the realm was left to the public spirit of monarchs, nobles, and large proprietors; now it is dependent on a government supported by public confidence. The maintenance and increase of our national prosperity have depended solely on the stimulus of private enterprise. The law, whether wisely or not, has interfered much, and imposed regulations and restrictions upon the mill-owner, ship-owner, and employer of labor. This has given our foreign competitors a great advantage over us; and to overcome the new difficulty, a new power is springing up, private enterprise is receiving a great check. Where the individual developed a trade in a single article or articles of a single kind, public companies worked by managers and servants seem destined to take the place of the men who worked hard for their private gain. The expenses and risks of business have been steadily increasing, and the only plan to make a trade pay is to sell a multitude of articles. The times require broader views. We have grown beyond the shopkeeper who thinks it right to have his contra account with every shopkeeper he deals with, who tells you he believes in living and letting live,

etc. Men of greater enterprise are needed. To succeed, you must understand business, money, bills of exchange, and their power if properly used. The method of trade will be that, whether we like it or not, which affords facilities for the raising of the greatest amount by all, and gives to each as large a proportion to satisfy the wants of each as the exigencies of production will allow. As our forefathers passed from feudalism to the modern era, so are we unconsciously passing from this to another,—passing from the era based upon the idea that individual enterprise is the best for the national wealth, and that competition will determine the share of each individual. That idea has been wonderfully successful. The most suitable centres were sought out for different manufactures, and the population drawn to that quarter where their labor would be most productive. The same force broke down the restrictions which had fettered trade, and compelled men to adopt more rapid methods of doing their work. The era of private enterprise has increased production, by developing the resources of each locality, and by introducing new methods of manufacture; and there are many directions in which it has still a great part to play. But it is as well for men to see that private enterprise is not the force of the future; nor does it give us the best means of *carrying on* our industry at the point which it has already reached. The advantages of the last fifty years have been too much regarded from the standpoint of the individual who competes, than the body politic as a whole. Doubtless, in many cases the nation was the gainer by the energy of those who pushed their businesses so as to make fortunes for their families; but we have too many

sleeping partners, and the loss to society from their inaction and idleness must be thought of, as well as the gain from the enterprise of the founder; the permanent charge on the nation which is involved in supporting their posterity, is such a terribly heavy price to pay for the services of the great commanders, or the exceptional enterprise of forgotten capitalists. Nor is such a system the best for making as much as we might or should of the national resources. The basis of the future will be "organization"; individuals will associate together more, and through the agency of these organizations more will be attempted and accomplished for the common good than could be effected by isolated efforts. The post office is under the government; the telegraph companies have been taken over by the state. The railways will be in the hands of the government; the education department will gradually eliminate all private schools. There must be "national notes" issued by the government. All monopolies must be abolished. All positions must be open to the men who have the energy and capacity to fill them. *Government offices must cease to be a sinecure; the nation must learn the lesson taught by its servants. We must have "value for our money."* It is only by the people acting together that they can supply each other with the light, water, public parks, gymnasiums, baths, wash-houses, etc., that our crowded populations require. Birmingham, Manchester, Edinburgh, have taken the lead, and we see in many directions how private enterprise and competition are giving way to organization.

But it is when we come to the distributing class, the retail shopkeeper, that we see that private enterprise is

doomed. The loss by the present method of distribution is enormous. Trades vie with trades in their efforts to catch the public taste; and in those trades affected by fashion, where the demand is so capricious, there is plenty of scope for the individual judgment and private enterprise; but in catering for the wants of the masses, for all the necessaries of life, for all articles that only need economical distribution by thoughtful organization, associations must supersede the individual, for they do their trade on a true principle—ready money,—and avoid that frightful waste of our time, advertising on the one hand or travelling on the other, with credit, "dating on," book debts, and bad debts. The extension of the new system has been most rapid. The growth of association among traders and of co-operative "distributive" societies alike points towards the limitation of private enterprise in retail trade, and indicates the development of organization in opposition to competition. The probable advantages are that the price to the consumer will, as organization advances, bear an increasingly closer relation to the cost of production; the more accurate calculation, which would be possible, of the probable demand would render production much less variable and uncertain; the lessened dependence on the services of middlemen would render distribution less expensive; and travelling for orders and advertising would cease.

Do not imagine that the two systems will work together; whichever serves the public best will be the victor. As the old feudal and guild organizations disappeared before the era of competition, so, if it be a better means of supplying the public wants, will the new oganization spring up, and the dominance of competition

wane in its turn. For the individual these transitions are serious, ruinous; for the public generally, of benefit, as a necessity of future life, a sign of continued growth. We want a new basis for commercial success, and if organization and associations are more economical for home industry, they will be equally so for the foreign trade. We have needed for some time past better organization to compete with our neighbors. The future is for that nation that is willing to be taught how best to study the wants of each, and most economically satisfy the same, and, without limiting the liberty or crushing the individuality of the individual, so arranging for a greater and better division of the nation's wealth.

NATIONAL PROSPERITY.

The discovery that labor is the source of all wealth has been attributed to Adam Smith, but in the "Life of Paterson" we have the following extract from a tract first published in the year 1690 (Adam Smith was born in 1723), and republished in the "Harleian Miscellany" half a century later. The work appeared in the name of Sir Dalby Thomas, and it was, doubtless, substantially the production of that experienced merchant; but the author thinks Paterson contributed largely to its pages, for it is his style of thought. After an elaborate survey of the sources of all national wealth, the writer concludes that the "true, original, and everlasting source of wealth is nothing else but labor; and that if all the laborious people of the kingdom left working, to live upon the national produce of it, distributed among them in an equal proportion by way of charity, as parish poor and

beggars are supported, it would not be long before the nation became necessitous, naked, and starving, and, consequently, land and houses worth nothing."

A little reflection will make us sensible that a very few years of idleness must complete the matter; whence we can no longer doubt but that labor and industry, rightly applied, are the sole causes of the wealth of a nation; that money is only the scales or touchstone to weigh or value things by; and that land only will yield no rent, but as labor, employed for the support of luxuries as well as necessaries, finds due encouragement and increase. Industry, enterprise, and thrift are the three great factors in making a nation wealthy. Nations, like individuals, may find wealth a curse instead of a blessing, if not earned in the legitimate way, as instanced after the Franco-German war. The load France had to carry roused all her energy and thrift; ignominiously beaten on the one hand, she came out of the industrial and financial ordeal most gloriously; and the wealth has found itself wings, and only seems to have impoverished the victor. It is simple enough. You have money; you pay no attention to production; the money slowly, but surely, passes from your hands to another's; the money remains, but you, in living upon it, are failing to produce, and soon will cease to have money or money's worth. Your opponent has been deprived of his money, but he diligently, assiduously goes on accumulating *money's worth*—things that will exchange for and bring him back the money taken from him. So nations and individuals get wealth, producing by their labor and skill money's worth, and taking care of the money they get in exchange; by never losing sight of the fact that

plenty, splendor, and grandeur in the nation can have no other fountain but wisdom, industry, and good conduct; that the ornaments and delights of life are the true issues of virtue, valor, and the elevation of the mind, as well as the just reward of industry, plenty, and contentment; and that progress of every kind must depend upon wisdom, industry, thrift, good conduct, as poverty, disgrace, contempt of us by our fellows, generally spring from folly, idleness, and vice.

How pleasant it is when trade is good, all forms of production in profitable activity, and orders flowing in upon manufacturers, causing the "sanguine" to be tempted to add to their capacities of production! Labor being fully employed, the wages fund soon begins to appear in the excise returns; giving satisfaction to the Chancellor of the Exchequer, but the reverse to all people with "fixed" incomes; as good times to producers mean enhanced prices for all commodities, a reduction in the purchasing power, and a limiting of the enjoyments of this life to all with a stationary income. The result, however, is the benefit of the masses. It is a clear gain to the nation, as a whole, when all its members are fully employed; though it necessarily puts to a disadvantage those whose incomes are inelastic. Bad trade means just the reverse. Orders are scarce; production diminishes; employment is limited; the revenue is a source of anxiety; a blight affects every industry; prices fall; the "fixed" income class get more for their money; the few benefit, but the mass suffer, during periods of depression.

"Panics" are always depressing, but in its length this last has been without precedent. For five years, nearly

six years, we have had to suffer, without a gleam of sunshine to relieve the monotony of gloom; and we feel it all the more, because the few years before we went through a time of inconvenient activity, that caused a recklessness, a general waste, a want of thrift, that converted a period of extraordinary prosperity and growth into one of decline and seeming decay.

How was this? How is it that the commercial edifice seems to topple over so suddenly? Surely there is a means of ascertaining or estimating the causes of these sudden variations. The last panic began with the failure of Overend, Gurney, & Co., in 1866; the present one commenced with the failure of Jay Cooke, in the autumn of 1873, in America; and the redemption money of France became exhausted about the same time in Germany. Now if the feverish activity in Germany and the United States caused the unnatural demand, the too exuberant development of our industry, the previous "good times,"—if that extraordinary prosperity was caused by "exceptional" circumstances that we ought to have foreseen could not last, surely we might have prepared for the collapse that was inevitable. The prosperity came from without; with the cessation of the cause the effect ceased, so that flaccidity followed an energetic growth. We must look our privations in the face. The home population must be engaged more profitably. They must produce more, so as to be able to consume more; they must increase their supply of produce, so as to get the "money" in exchange that will give them the right to "demand" more for consumption. *All* must be taught this rigid, inexorable law. Production must precede consumption. They must, one and all, do a something,

produce a something, that entitles them to "money" in exchange with which to buy what they want. Our progress depends upon the development of our manufactures; but to go on multiplying the quantity of our woven stuffs of cotton and of wool will be madness, unless we see the absolute necessity of producing every article at the minimum of cost, by taking advantage of every help the experience of the past has gained for us; above all, recognizing the fact that our existence as a nation depends on our being able to supply the wants of others,—a position that can only be held by cheapness of production. By cheapness is not intended "low-priced" articles, but the thorough understanding by masters and men of their work; all earnest, thoughtful, and attentive to all details; the zealous coöperation of all concerned in any and every branch of manufactures, so as to secure the maximum of product at the minimum of cost. Another important point is, to divide our powers,—some directing their efforts to works of utility, others to works of art, to satisfy the highest tastes; although I fail to see why, in the commonest products, beauty of form, beauty of properties, and the nearest approach to beauty and harmony of color that the price will admit of, should not be considered.

"Panics" only represent an intensity of the struggle ever going on. "The survival of the fittest" is the inexorable law of nature. We should educate our people, more especially the working class, to strive after producing the most beautiful, the most perfect work within their power. The time has come when it is imperative that we know our strength, and wisely husband all the means at our disposal, and enlarge those

means to the very utmost, for the struggle for life, for the life of the nation,—a struggle that is certain to beset our future path. There can be no "excellence" in any thing unless our heart and soul are in the work. The material, however common it may be, will be better, and worth more money in the market—at the very least, will be sure of a quicker and more regular sale—if *well made*, than if carelessly made. Excellence, combined with cheapness, must be our study; we shall then be able to defy the world; whereas if we continue careless, only thinking of making things that, *looking cheap*, sell well at first, but *not* being really *cheap*, do not bring us regular orders, our day has gone—others more worthy will have to fill our place. We want "true work"—all articles to be what they profess to be; we want the people trained to see the mistaken policy, for any continuous trade, of "shams"; we want them to see the value of à reputation without blemish; we want them to see that "impostures" react upon those who trade trickily. No one has confidence in such men, will not trust them, and refuse to give orders to or buy from them. We want the "morality" of the nation to be so raised, that all such plausible, scheming tricksters will be treated with the contempt such degraded natures deserve; we want the people "honest" enough to express its disgust at every kind of chicanery, to have the moral courage to speak out, and call a cheat a cheat. The nation cannot exist, cannot hold its place in the world, by the efforts of the few; it needs the concentrated enterprise of the many, the desire for improvement to be stirred, and to manifest itself in the daily works of all. And we shall see an improvement in the

product when the brain and hand work together. The task of the future may be more arduous, but it need not be any the less successful than in the past. Nor is it more than men's energies are equal to; it simply needs more earnestness, greater thoroughness; being a benefit, in fact, to every one, for, increasing his mental, it will double the value of his physical labor. "Improvement in the work" will add to the market value of the work, and thereby to his own comforts and the enjoyments of his family. This is the way to make progress, to ensure success individually and nationally. It is useless to expect miracles; we must adopt the right means, and be resolved to conquer all obstacles, to surmount all difficulties, to achieve the end in view. And if that end be to ensure regularity of trade, we must make only durable, trustworthy goods—goods that experience will prove to be the cheapest, as, wearing better and lasting longer, they are really the cheapest, the best value to be had for the money. But "cheapness of production" must be considered. For instance, we are much interested in the iron trade, which in August, 1879, is reviving, because our prices are lower now than in America. But the manufacturers say, prices leave no margin of profit; and it is said that there are some descriptions of iron and steel manufactures in which England cannot compete with the United States. Now, the reason is so simple, it seems nearly incredible that this point in favor of the American method should have existed for a day after we had found it out. It is similar to the superior method of the Swiss in making their watches, over the English method, which Sir John Bennett worked so hard to remove by his lectures, etc. American workshops, it

is said, can turn out locomotives at 25 per cent. below English prices, by adhering to certain fixed designs, thus avoiding multiplicity of patterns. "Why not have all locomotives, all railway rolling-stock, one pattern, if it be so much cheaper?" The style of carriages is quite immaterial; for on the American railways there are only three or four distinct types of locomotives, and in each of these types there is but little variation from the fixed standard. By this means the leading shops in Philadelphia and in Rhode Island send out annually hundreds of engines, of which all the parts are perfect and interchangeable, the exact duplicates of each other. You may say, this is against your theory of excellence and beauty; and that it keeps man to the level of an automaton, discouraging originality, etc. But I must remind you, two ideals were submitted—works of art and works of utility; but in the latter striving after all the excellence and beauty possible at a *given price*. Men *must think* more. If they find themselves beaten, because of a *more economical* method, it is wiser to beat their rival with his own weapon. The American plan is much more *economical* than the English method of building its locomotives on innumerably different models, and seemingly for no other reason than to bring out innovations of design upon the smallest possible pretext. Another error in the iron trade was being overcome by the advent of Sir H. Bessemer's great invention, steel rails. The opposition ought to have stimulated the Welsh iron-makers to improve the quality of their goods in every possible way; instead of which, they produced an inferior kind of iron, both bar and rails, which necessarily and deservedly suffered in competition with Besse-

mer steel. As "Iron" suggested in the *Times* of August 19, 1879, "a large and profitable trade is still open for a superior quality of bar iron; and one is hardly permitted to doubt that if half the science which had been so successfully applied to the manufacture of steel had been devoted to the manufacture of bar iron, the position of this latter important industry in South Wales would have been widely different to what it has been during the past five or six years." Times of stagnation are the opportunities offered by nature for wise men to reform their ways. The morn seems breaking; may we have learnt from the dark night from which we are emerging, how to keep the light of day, the sunshine of prosperity, round about us! If this be so, the ordeal will not have been borne in vain; for if the right means be adopted, there is no reason whatever why activity and prosperity should not again exist in all our workshops and places of business. Adam Smith says, in the "Wealth of Nations," book iv., chap. ii., p. 750: "If the exchangeable value of the annual produce exceeds that of the annual consumption, the capital of the society must annually increase in proportion to the excess. The society in this case lives within its revenue, and what is annually saved out of its revenue is naturally added to its capital, and employed so as to increase still further the annual produce. If the exchangeable value of the annual produce, on the contrary, falls short of the annual consumption, the capital of the society must annually decay in proportion to this deficiency. The expenses of the society in this case exceed its revenue, and necessarily encroach upon its capital; its capital, therefore, must necessarily decay, and together with it the exchangeable

value of the annual products of its industry." A society is but an agglomeration of individuals; let us consider it as one huge family, and realize the argument of Adam Smith as applying personally to ourselves individually. There is no getting over the fact that a nation can only prosper, can only exist, by the individuals of which it is composed producing more than they consume, and wisely employing their capital upon works of utility and healthy recuperation. Professor Cairns, in his work on the slave-power, written while the Confederacy was still erect and vigorous, demonstrated the economical mischief of the system; and it is much to the credit of Mr. Davis that in 1879 he had the moral courage to admit that the abolition of slavery had been economically advantageous to the South, although he was foremost with the Southerners in vehemently denouncing it as involving their ruin. The sufferings of the planters through the civil war are wellnigh forgotten; but the South, under the system of free labor, paid for at market rates, according to nature's law of supply and demand, can grow cotton and sugar to greater advantage than under the slave system, and can open up new industries, which would never have been thought of—in fact, would never have been attempted—with slave labor; so the great blot bore its own punishment, as all infringements of God's laws do. Men have a right to be free of their fellow-men, and also a right to take their labor where it is most appreciated, and will be the best paid for. On the other hand, the employers of labor have an equal right to obtain labor at its market price, regulated by supply and demand, and free of all state control or interference; to open as early as they like, and close when they like; subject to visits by in-

spectors to see that there are proper means of ventilation and sanitation, and that the machinery is watched for the prevention of accidents; but free from those mistaken motives of philanthropy which attempt to fix the hours of labor, which should be left to the common-sense of the employer and employed to regulate for themselves. The anomaly of the nation's industry paralyzed for want of orders—as the retailers think, because of the want of money, although at the same time money is in such abundance that it can be borrowed at 1 per cent. or 1½ per cent.—is really explainable by a want of production, by a want of a scarcity of goods asking for the money in exchange. People fail to see that the money is but a medium, and will be forthcoming, and is only to be had when the articles are made and ready to be exchanged for the money. The money is useless without the commodity. To get the money, then, make the commodity, for and by which the money can be had in exchange. Our present depression began with the American crisis in 1873, and has affected for six years, more or less, nearly every nation distinguished by civilization, by industrial energy, and by commercial ability. Is the problem really insoluble? How comes it to pass that, amidst resources so many and so mighty, with laborers and machinery capable of production to any extent, yet destitution and misery side by side with abundant wealth is allowed to exist? Why, because the people are still frightened by that bugbear, "overproduction"—one of the greatest fallacies that ever emanated from the human brain. I deny positively that there can be such a thing as over-production—that is, as a national evil. There may be loss to individuals if they

produce more of any particular commodity than is required—that is, to sell at a profit; goods can always be disposed of at some price. Therefore there is not an excess of goods, but an excess for the class that can pay a certain price for the same. But national depression is caused by "collective under-production." The distributing classes are idle. The money is not needed, and remains uncalled for at the banks, because there have not been the commodities made that usually require to be exchanged. The power of purchase rests solely with the commodities. To put life into stagnant trade, set in motion the mills and factories that have been closed, or worked on a smaller scale. Produce, produce, but not *madly*, thoughtlessly, the goods there are buyers for. If *all* would produce to the extent of their power, there would be a general demand for all things. Remember, goods buy money; and the money gives the power to buy other goods. But now comes the important point—one that, whether overlooked by the individual or the nation, means paralysis, stagnation, ruin. The essential thing is to produce such things as will cause immediate reproduction, and only to invest year by year the *surplus* capital in articles of luxury, or in those productions that do not recoup you for the outlay till some distant period. For years we have gone on recklessly investing our capital in foreign loans, foreign railways, aye, and every scheme that ingenious promoters have been able to conceive. This wealth, I admit brings, in the shape of interest, tribute, which finds its way to this country in the form of commodities; and some argue that the fact of our being able to import so largely is a good sign of the national wealth, and that this excess of

imports is not a drain on the resources of the nation, but a consequence of the greatness of those resources. The argument is good so far as it goes, but we are considering the depression of trade, and the power of our wealth does not, has not removed that. It seems to me that the depression is mainly caused by so large an amount of our capital having been sent away *for others to use*, to pay us in their commodities for the use thereof, when the money ought to have been employed in *producing ourselves*, and so enriching the nation by exporting our excess of production, instead of importing the excess of other people's. We have got into the condition of the spendthrift, who consumes and destroys more than he can replace. As a nation, collectively, we are "over-consuming"; that is, we are letting other people produce; we are consuming their productions, and not replacing them by our own productions. We are living too much on interest, paid by the products of other nations; and by not wisely using the money ourselves, we have got into the condition of having, in proportion to the population, a smaller quantity of commodities to exchange. This is one of the principal causes—this "over-consumption" and "under production"—why trade is stagnant, mills paralyzed, and money lying idle, unasked for, in our banks, —a cause, if not removed, that must ultimately bring the nation to poverty. To meet the famines of the East, the bad harvests, the enormous waste of war, our increasing number of "unproductive workers" in the army and navy, etc., and the wonderful but excessive development of railway and house-construction, needs the concentrated energy of the nation, of its thinkers and workers, with a view to producing an *increased* quantity

of such articles and products as will lessen the evil effect of this over-consumption. We must use our brains more, not go on as recklessly in our undertakings as the uncivilized savage we are so prone to ridicule. Look how madly we took up railways! Admitted that in the long run they are invaluable to a nation—nay, enrich it as much as any cause,—but we condemn as a fool, as a criminal, the trader who takes the life-blood of his business, and locks up in dead stock, book debts, or building operations, his money—who does not know that the necessary "floating capital" must never be used as "sunk" capital, but only the *surplus* capital at his command. So with the nation and railways, or any undertaking of a similar nature; they represent a gigantic over-consumption, not out of the *surplus* savings, but out of the *floating* capital of the country, that at the time, through being engaged in recklessly, brings the nation into poverty, commercial depression, and much misery. "P. Q." sent the following figures to the *Times*, August 20, 1879, and suggests that the time has come for the further extension of Indian railways without the aid of a government guaranty. Look at the total spent upon the railways of England and India, and think for a moment that the construction of these works means in reality the consumption of so much corn, food, clothing to the men, coals, iron, and other substances for the works; you will then see how necessary "caution" is to the nation, before adding to its *sunk* capital. (See next page.)

The percentage on capital proves railways to be a fair field for "permanent investment." The care needed is, not to construct needless lines, and to get value for the money that must be spent. You will perceive that the

railways of England have cost *six* times as much to produce *double* the length of lines in India.

Railways of England.				Railways of India.			
Year.	Capital.	Gross Receipts. Percentage on Capital.	Net Receipts. Percentage on Capital.	Year.	Capital.	Gross Receipts. Percentage on Capital.	Net Receipts. Percentage on Capital.
1871..	£461,400,000..	9·0	4·8	1871..	£87,687,000 ..	7·1	3·1
1872..	473,600,000..	9·5	4·9	1872..	90,184,000 ..	7·0	3·1
1873..	490,000,000..	10·0	4·7	1873..	90,666,000 ..	7·4	5·3
1874..	506,700,000..	9·9	4·5	1874..	91,354,000 ..	8·4	4·3
1875..	527,100,000..	9·8	4·5	1875..	92,442,000 ..	7·7	3·9
1876..	544,800,000..	9·6	4·4	1876..	93,393,000 ..	9·0	4·8
1877..	557,900,000.	9·5	4·4	1877..	94,108,000 ..	11·5	6·5
1878..	570,800,000..	9·3	4·4	1878..	95,431,000 ..	10·0	5·2
Total miles completed in 1878, 12,229.				Total miles completed in 1878, 6,044			

It must always be remembered that by our mad eagerness, or thoughtless, reckless manner in these and other schemes, the immense demand for food, coal, iron, engines, and material kindles great excitement in the factories and the shops; profits share the upward movement; luxurious spending overflows; prices advance all round; and labor has to be paid a higher monetary value to enable the laborer to obtain the old quantity of food. So that it is not only the wealth that is sunk in making the railways, but we have to suffer for our thoughtlessness in the higher prices of all things, through the recklessness of a false feeling of prosperity—in reality, a national curse,—a retribution for its folly in a general feeling of waste and recklessness and national extravagance. Take the result on Germany of the war indemnity received from France. How severely nature punishes tyranny! Their seemingly boundless wealth

produced an "over-consumption." The nation destroyed more than it re-made; it diminished wealth rapidly. The people were blinded for a time by increased activity of trade, by great commercial prosperity, although the nation was on the road to ruin. There is only one way for a nation to prosper—to produce in excess of their consumption. Our habits have altered in the last fifty years. Our forefathers produced much, consumed little, and saved. We have crippled our resources by consuming out of proportion to our production. We have killed so many of our geese that used to lay the golden eggs. We must realize as a fact that we cannot have the cake and eat it too; or rather, that if we want to have the cake again to-morrow, we must do to-day some work that will cause its reproduction. We must teach the operatives it is "over-time," not "short-time," that is wanted. We produce too little, and at too costly a rate. Short time means dearer goods. Trade is bad always where the power of the buyer is limited, less than it was. The remedy is *more goods*, which means cheaper goods—produce, which is identical with the power to purchase. There is a cause for all things. No depression ever did, ever will, occur without a reason; and it can only be permanently got rid of by the removal of its cause—best got at by thought, patience, industry, thrift, sobriety, and a readiness on the part of all to sell their labor at the market price, and add daily to the production of the country to the utmost of their power. To produce thrifty habits, it is very important that the value of interest be explained to the young. To know that money has the power of adding to itself if properly used, is a fact every child should understand; but the thought

as to money needs being extended far beyond the mere fact of its value if wisely invested, or its use as a medium of exchange. We want the people to comprehend that real wealth consists in the increased power of production, that the increase of gold by a nation is nothing in comparison to an increased power to produce commodities.

Trade should be quite free; there should be no artificial restriction upon the individual or the nation; leaving the consumer to buy, the producer to sell, when it seems best for either to do so. Taxing commodities is an error of judgment, inasmuch as it restricts the operation of the natural law, that all mankind will study their own interests and buy where they can best be served. Free trade benefits all, but the man of fixed income mostly. For instance, in the year 1867–8 we imported 8,000,000 quarters of wheat; in 1877–8 we imported 13,000,000 quarters, or 5,000,000 more quarters—a greater proportion than the increase in the population needed. The result was, of course, cheap bread to the man deriving his income from invested capital, or to all those with fixed incomes positively—to many of the laboring classes, also, an increase. But this large increase in the quantity of wheat imported led to unprofitable farming, which means decreased rents, and, being at a time of depressed trade, reduced wages; but the reduced wages were inevitable in many branches of industry from other causes, and this cheap bread materially diminished the general distress of the country. So free trade seems to work in accordance with the principle of the greatest good to the greatest number; and this must be the wisest policy for all nations.

The following words of wisdom by that clear-headed, practical statesman, Richard Cobden, should be stamped upon every Englishman's brain :

"Upon the prosperity of the manufacturing interest hangs our foreign commerce ; on which depends our external rank as a maritime state ; our customs' duties, which are necessary to the payment of the national debt ; and the supply of every foreign article of domestic consumption, every pound of tea, sugar, coffee, or rice, all and the other commodities consumed by the entire population of these realms. In a word, our national existence is involved in the well-being of our manufacturers.

"If we are asked, To what are we indebted for this commerce? we answer, in the name of every manufacturer and merchant in the kingdom : The *cheapness* alone of our manufactures. Are we asked, How is this trade protected, and by what means is it enlarged? the reply still is : By the cheapness of our manufactures. Is it inquired how this mighty industry, upon which depend the comfort and existence of the whole empire, can be torn from us? we rejoin : Only by the *greater cheapness* of the manufactures of another country."

Practically, we want *all products*, for their quantity in relation to money, so to develop as to be cheaper, or rather, be supplied to the consumer in larger quantities for the same amount of money. This result some still think can be best done by a system of protection, as they say free trade has destroyed the benefits it seems to yield by letting in money as well as commodities. Is it so? Yes, partly ; it is one of those specious half truths many are so fond of. Undoubtedly free trade has in-

creased the stock of gold, and, to a certain extent, has indirectly kept up the prices of articles; its principal mission would seem to be to cheapen. But the more gold, the greater demand for articles. The demand causes supply, and supply, as a rule, has a tendency to exceed the demand. The price of an article will depend on its supply in proportion to the money seeking to purchase it. If the gold be kept at a fixed quantity, and the products increase threefold, to effect an exchange, the gold will secure for itself three times as much as heretofore; hence gold is argued to be dear, and goods cheap. On the other hand, the increased influx of goods, unless there be an increased supply of commodities in comparison, will cause the goods, being less proportionally to the gold demanding to be exchanged for them, to be relatively dearer, or of a higher money value, than heretofore. But the real point to comprehend is—the money price of an article or labor is quite immaterial—the real point is, what the money will produce or exchange for at one time as against another. No one can doubt that free trade has lessened the real price of nearly all articles alike of necessity and luxury, and that the lower and middle classes of society enjoy in 1880 an amount of social comfort, and are able to purchase a great many articles that were not within their reach in 1840; and this will, must, continue, as there is not the slightest reason why an ounce of gold should not exchange for double the quantity of any goods which it now purchases, except for the fact that gold would then be worth half as much again relatively to other things as it now is. Now, this is what invention, improved machinery, better and cheaper facilities of

carriage and distribution, and free trade really accomplish : they give to the sound stationary article, gold, more goods in exchange, or, as it is termed, lessen the cost to the consumer ; and our efforts should always be directed to this end, as one shilling can just as easily "circulate" the same amount of goods as it is supposed that it takes a crown to move. To understand this subject, you must remember that when we talk of the cheapness or dearness of goods—whether we intend it or not —the language we use means cheapness or dearness as measured against gold, for we have no other standard. It is only by cost in money that any comparison can be instituted. Why, for instance, can wheat be grown in South Australia at a profit on land that does not yield on an average more than twenty bushels per acre, and where wages are six shillings per day ; and not only at a profit in the colony, but that it can be taken to England and there compete successfully with wheat produced from land four times as fertile, cultivated by laborers not getting a fourth of the money wages, and certainly not living half as well as their fellows in South Australia ? The natural facilities in land and labor, the primary necessaries for the production of wheat, are incomparably superior in England ; and, according to commonly received doctrines, what I have stated ought to be impossible, but it is the fact. The true explanation is, simply that the Australian wheat does not cost so much in money to produce, and peculiarity of climate enables machinery to be used for reaping, which saves money which must otherwise be paid for labor. But the fact is, that we delude ourselves when we suppose that these questions are settled altogether by imagined superior

facilities of countries for producing this or that commodity. There are artificial causes at work; for instance, land there is almost rent free, land here is ruinously dear. It is becoming every year more evident that England cannot compete with America in the raising of wheat; and that the high price of meat, which has hitherto helped our farmers, will now be altered through the largely increasing quantity of meat America is exporting here. Our farmers in 1880 are literally being driven out of their farms, it being impossible for them to compete with the Americans and pay the present high rents. One thing is certain, farmers cannot pay, and unless trade improves it will be impossible for the trading class to pay the present rents. The time, therefore, seems ripe for a readjustment of this rental question. Shop property reached fabulous prices during the prosperous years, or the seemingly prosperous years, with much of its fictitious business. But with lesser trade, and a smaller rate of profit, from the competition of the stores, the question of rents and taxes must be considered, for rents will inevitably have to be decreased, in union with trade restrictions. The landlord has no more right to larger profits when all others concerned have to be satisfied with less. By the natural law, rents must fall, or houses remain longer empty. But we want more than this,—we want the landlord to be treated by the law like any other creditor; we want this relic of the feudal ages, this preference for the interests of a class, abolished. We are told, in the eyes of the law all are equal; we want this to be the fact. The game laws are a disgrace to us in 1880. I fail to see why, when a man fails, the landlord is to get 20*s.* in the £, and the creditors noth-

ing. Laws should be made for the good of all. If there be any favor shown, let it be to the poor, as they spend as consumers nearly all they earn as producers. I therefore advocate law, cheap and expeditious, clear and decisive, and an end to the delay, subtleties, and modern jugglery of appealing and going from court to court; law to protect the interest of all, and united action to remove and stop protection to the interests of the few; liberty to use my capital invested in machinery as and when I please—liberty for the laborer to use his capital, his "labor," when and how he pleases. We want to be free from the interference of the law that relieves a bankrupt, honest or dishonest—a law that tempts men to be dishonest, by releasing them from the consequence of their own follies or crimes; free from this "indulgent" legislation, that puts the burden of some people's shortcomings upon the shoulders of others. Our system leads to "national improvidence": if A eats, and has not earned what he eats, he is a tax upon society, and living on the labor of another. As regards education, every one should be able to read and write; but, to my mind, legislation diffuses a subtle, dangerous poison amongst the people, when it enforces the right of a child of A to be taught at the expense of B. The same with the "poor law"; relief should only be given to the sick, incapable, or aged, and even then discouraged to the utmost; and the rule rigidly enforced that no man has a right, either morally or legally, to be maintained out of the labor of others. It lowers the self-respect of a people, having a system that tempts, solicits men to forego their duty to themselves, their wives, their children, their fellow-men. I would have every man trained to feel

there is no more degraded being than he who can only exist by being a charge upon the community—living, by the aid of the *law*, out of the hard earnings and savings of the more provident. Our system tempts men to be thoughtless and thriftless, by educating their children, and by promising them a house of refuge when old or incapable for work; whereas all the efforts of wise legislation should be to teach men how to earn a living, what business is, what true morality is,—how true happiness is to be obtained, what money is, how to get it, the importance of taking care of it, by saving and wise use thereof, —how to maintain their independence as men, and be too proud to accept relief of their fellow-men, whether the same be sanctioned by law or not.

Spite of abnormal causes, as high rents, etc., neutralizing the otherwise natural advantages of one country to compete with another, there can be no doubt that Providence has endowed nations with special facilities; that one people admirably gifted for working in metals are not equally so for making cloth; that others having peculiar advantages for growing food cannot, without infringing natural laws, turn their attention to weaving calicoes. We can all do some things better than others. But every one should be taught why free trade is so superior to protection—simply because it is more profitable; as well, that it is wiser to exchange with each other than to produce a thing at higher cost than it can be bought for. For instance, if I can buy a hammer for a shilling, you will perceive at once how foolish, how insane I should be if I persisted in shutting myself up, and saying: No, I shall make it myself, although it cost me double; or wanting all my neighbors to pay double

price because of my self-persistence in making hammers at the expense of the community, instead of using my faculties in a more profitable way. It would be really more to the advantage of a nation to keep a trade in idleness than to protect its special product by shutting out another because it is cheaper, or taxing it to make it equally dear; because allied to the freedom of trade is competition, and competition is essential to protect man from the selfishness of his fellow-man. Both forces may at times seem pushed too far, and so as to work with some practical inconvenience, but both principles are right; they are godlike in their actions—they fight for, and secure, the benefits for the many, against the interests of the few. There is not a man or company in existence but would charge more for distributing, carrying, or producing, if there were not the dread of a rival competing for and taking away the order. So trade should be left free to buyer and seller.

If men once grasped the causes of "national prosperity," this question of "protection" would be revolting from its very hideousness. Its aim is to compel, by the aid of law, buyers to pay more for goods than the sellers are naturally entitled to. Competition is nature's remedy to protect man against his fellow-men; to keep down the value of a man's services to what they are worth, instead of his ideas of their worth; as unfortunately it is too true—

> "How quickly nature
> Falls to revolt when gold becomes her object."

For national prosperity we want no "reciprocity." Free trade is a law of nature, founded on mutual self-interest;

if the principle be sound, why place any "restriction" on its operation? Because other nations are foolish enough to break the laws of God, are we to follow them in their stupidity? By free trade we mean that each country should produce freely that which it can produce best and cheapest, and should exchange the surplus of what it produces for the similarly produced products of other countries, and then all nations are benefited. Think of it, analyze it, dissect and pull it to pieces as you will, it is impossible to find a flaw in it. It is the law of God; it is the wisest policy for the material and moral benefit of mankind, for national prosperity.

CONCLUDING REMARKS.

"The price of wisdom is above rubies."—*Job.*

"Wisdom is better than rubies . . . is more precious than rubies."—*Proverbs.*

Who can doubt these truisms, true for all times? Common-sense is the great thing to strive for; it is a term full of meaning, popularly defined as applicable to those who may be relied upon for sameness of action. "He is a sensible fellow," we say of that man whose opinions are characterized by a kind of intuitive sagacity, arising from not only knowing his business, but also his own mind in relation thereto, and a resolution within him, after thinking the matter over in all its bearings, to have his business done in a certain manner. Such men are credited with the art of persuading people, but they do so, not from humbugging them, but because they speak from knowledge and with conviction, and mean the truth; and their earnestness and uprightness succeed. They get people's confidence, from their

quick perception and prompt action; they are full of expedients, never at a loss what to do. What a contrast such men are to those who never have an opinion of their own, cannot decide or act without consulting others, and if they get on in the world, it is by knowing their own weakness and being wise enough to cling to the skirts of some one stronger than themselves. Still, as empty bags cannot stand upright, believe me that every man that makes his way upwards must be better than his competitors in some way; like the successful senator, he recognizes the fact that there are no little people; or the philosopher, that there are no little things. To succeed, a man must see things as they are; that the world is a huge school, wherein the dunces get punished most severely, and even the best and brightest do not escape the rod. The value of wisdom is essential to commercial men in understanding what is value. It is very difficult to define what is value; that is, what is "cheap." I buy a lot of goods to-day that seem to me much under value—that is, the recognized market price for similar goods; but to-morrow, when offering the same to a buyer, he submits other goods of similar character he has bought cheaper—that is, at lower prices. The being *under-sold* is one of the greatest anxieties of trade. A science of value is an impossibility; there cannot be a science of a subject-matter whose nature is variable and capricious. A man values his old watch, which he has no wish to sell, or a man is in urgent need of money, and must sell. If you think of the different values of the watch to its owner under such dissimilar circumstances, you will at once perceive that, unlike gravity and chemical affinity, value is subject to no

definite laws; yet a little reflection will convince you that political economists are right in stating that all articles have a market value, and that their prices depend upon supply and demand. Trade is good,—men can place their goods as quickly as they are produced; this gives an elation of spirit, an independence of feeling, to the seller; he is firm as regards price, and objects to any deduction from what he thinks should be his profit. Trade is bad,—the mills must be kept going, goods are produced faster than they can be placed; this leads to what is called "jobbing"—viz., the maker or holder offering the lot at a considerable reduction, and submitting to deductions in claim or extra discount pressed upon him by the buyer, according to his judgment of the need of the seller. Or let us consider the most legitimate reason for concession, or deviation in prices—viz., when a maker offers to take a lower price or give an extra discount if an order be increased, or if it be beyond a certain amount in quantity or value. This concession will vary according to the state of trade —that is, according to the power of supply in relation to the general demand; as, if trade be uniformly good, the manufacturer can find orders enough without having to sacrifice part of his profit to induce one or two large buyers to order more than they would be disposed to, except at a reduced price. This only proves that the value, or rather the *selling price*, of an article does not depend so much upon its quality, or make, or real intrinsic value, as upon what it will fetch in the market when it is offered for sale; and this price will depend upon the aggregate demand for it, when offered for sale, in relation to the collective supply at the time. Take

another illustration of the uncertainty of value: a trader is going along seemingly solvent; his balance-sheet, with the usual fair allowance for bad debts and depreciation of stock, shows a satisfactory balance; but he cannot meet his bills, and has to call a meeting of creditors; his affairs are investigated; he refuses to go on, or perhaps the creditors will not let him; a forced sale of his stock, fixtures, lease, takes place, and his debtors are pressed and sued. "Well, we find by painful experience that the value of every 20*s.* has been reduced to 10*s.* or even 5*s.*" Here circumstances materially affect values, for, if the business had kept on, the debtor would have paid 20*s.* for every £, as the stock which had been bought to supply his customers' wants was worth in money value what he had paid for it; but which, without his special demand, the demand not being equal to the supply, and the sale being pressed, results, as in the forced realization of the book debts, in a great depreciation in the value.

The value of economy, of thrifty habits, is to make man self-dependent, self-reliant, and give him the glorious feeling of being independent; to get people to have the common-sense to see that "true charity" is to adopt those means that will raise the object, elevate the people, by training them into habits of self-help; almsgiving binding them still closer in the chains that enthral them. The poor law, as a right for men to look to and rely upon, has degraded men into becoming permanent pensioners. There is no hope for the working class as a body until they are taught to help to save themselves. Put the matter so before their minds that they cannot fail to see that much of their misery from the poverty

prevalent in their midst is traceable to the conduct of those who suffer most from its consequences. The value of money must be explained to all. The stupidity of living up to one's income, the crime of living beyond it, are the lessons our youths of all classes should be taught at school and from the pulpit.

> "By no means run in debt: take thine owe measure.
> Who cannot live on twenty pounds a year
> Cannot on forty; he 's a man of pleasure,
> A kind of thing that 's for itself too dear."
>
> GEORGE HERBERT.

CREDIT.—There has been an inquiry lately into the credit system, and it is surprising to what extent the whole human race lives and works on credit. No matter how widely nations differ in the scale of social advancement—Siam, Germany, Canada, St. Petersburg, or Honolulu,—the reports show that 90 per cent. of the business done is done on credit. Belgium is progressive, China is stationary; yet in Belgium and China 80 per. cent of all commercial transactions are credit. In France and Italy credit is used with most moderation—in the one because the people are too cautious to take it; in the other because they cannot get it; but even in France and Italy two thirds of the business is done on credit, and this is the lowest estimate anywhere, except in Holland, *where, as it should be everywhere*, the retail trade is done for ready money, and the wholesale only on credit.

Credit is a wide term, and the giving of it depends upon the condition of the nation or individual who wants it. It is justifiable to a new and progressive colony like Victoria; it is speculative and unwise to a languishing empire like Turkey. Credit, as a matter of business con-

venience, upon short and fixed terms is justifiable, but very unwise and dangerous under a system of long and indefinite terms. Credit is justifiable when given to enable a manufacturer or merchant to carry on his trade; it is wrong and mischievous when used for the necessaries of life. Credit, in fact, is justifiable when used as an instrument for progress and development; it should be looked upon with great suspicion when it is a manifestation of poverty. We shall be told, it is *impossible* to do without credit. To this I have always, and still respectfully demur, so far as regards retail transactions. If a man wants clothes, furniture, meat, and drink he ought to have the money wherewith to buy them, and has no right, legally or morally, to buy the necessaries of life trusting to the future to bring him the money to pay for them.

To those who say that ready-money trading limits trade, I reply, trade has no right to go beyond the limits of the money to purchase with. What is the ultimate benefit of anticipating next week's purchases by giving the buyer credit, instead of waiting until next week, when he could buy with money instead of on credit? There is a limit to the purchasing power of every man; if you tempt him beyond it, by giving him credit, you must ultimately suffer by ruining him, and having to bear the loss. For a time trade would be discouraged, but would soon right itself, and be much better afterwards, if the retail trade of the kingdom were done entirely upon the cash system. This is how the credit system operates, and is said to increase trade: A gets into debt with B for ten pounds, or a hundred pounds; the amount is immaterial; whilst getting into debt, or rather getting things without paying

for them, he is able to spend his money in the purchase of other articles; so that *at first* he has an increased power of purchase. But *there* the advantage ends, *alike to himself* and the *development of trade;* because when he goes to B again to buy he is expected to pay off the old debt in proportion to the amount of his new purchases; so that if it was decided that all retail trade was to be for cash after a certain date, it could be done; existing debts to be paid off by instalments. The volume of trade would only be lessened to the extent of *those that buy without the means of payment*, and although less trade were done, tradesmen would be better off.

I have been an advocate for cash, or short-fixed credit, since 1862, and maintain that credit for necessaries can be abolished if those who serve the "consuming classes" will be firm in demanding cash, or will give only a short *fixed* term of credit for the necessaries of life. The advantages of the "cash system" are obvious. The tradesman getting his money is independent of the wholesale dealer. "Cash" is an "open sesame" anywhere, everywhere. The wholesale dealer getting his money more quickly, with less risk of bad debts, can do with a smaller profit, and be equally independent; and so, as cash payments come into use, credit will be driven out, and, as with the purchase of raw produce of all sorts, cash will eventually suppress credit. But we must begin with the laborer and consumer. How can labor be independent if, as in Turkey, the laborer be in debt to his employer? In England, tailors borrow during the week of their employers on account of the job or jobs in hand, and employers borrow on Saturday to pay the week's wages; and too many tradesmen think nothing of not meeting

their bills when due; pity 't is so; and strange that in this land, where men are so fond of boasting of their freedom, so many voluntarily enter into, and remain in, the hard fetters of modern slavery—"debt," caused by "credit."

It will be said: "But men go into business to make money, and more money was made in trade by the system of credit than that of ready money." By the credit system men made or lost money. By the cash system less is made, but there are fewer failures. What a contrast in the two systems! With the credit system, there is the uncertainty of meeting one's payments—a perpetual source of anxiety, that undermines the health, and takes away all peace of mind. And to make credit pay, there is but one way—Peter must pay for Paul; and it is not pleasant to be charging the man that pays you, too much because of the man or men who do not pay. Great wealth has been made in the past, is being made in the present, by men who charge credit prices, yet are shrewd enough to make the minimum of loss; others more trustful or hopeful are ruined. But putting aside the question as to which system is the more profitable to the trading classes, I unhesitatingly condemn "credit," except to wholesale dealers, as wrong and demoralizing to those who take it, and ask tradesmen to be firm in refusing to give credit for the necessaries of life, and consumers, for their own sake, pecuniarily and morally, to be self-denying enough to abstain from purchasing until they can pay cash.

The cash system is not liked by those tradesmen who rely on the hold "being in their debt" gives them over their customers; but the cash system is the right one,

and must develop, as it has the approval of all honest men, and is to the advantage of those whose means are most limited—the salaried and wage-earning classes. That system must be the best that brings the necessaries of life within the reach of each consumer at the lowest possible price ; the few must suffer for the many, not the many for the few.

There is a revolution in our midst—very unpleasant. as all revolutions are to those that lived out of the old system, but, as all improvements are, greatly to the benefit of the nation, if adverse to some individuals. The Suez Canal has quite altered the Indian trade ; the middlemen who used their capital in giving the long credit, that was formerly wanted, are no longer required, Bills on India, or drawn in India on London, were formerly at ten months' sight, then six months ; now six months is no longer necessary for genuine trade ; and as you shorten the length of credit required, you introduce a different class of distributers, or in many cases do without their aid altogether. To understand any change, you must get at the *cause*. The consul at Monte Video says of Uruguay : " The cause and origin of such long credit may be explained by the long time required for the goods bought in this city to reach the centres of distribution in the camps or country towns, and the long time the country dealer has to wait ere he can dispose of them and obtain returns, and these returns by barter as frequently as by cash." When these intervals are shortened by improved communications, shorter credits naturally follow, and middlemen are doomed to pass away before these improved facilities of communication, as the aborigines had to disappear

before the builders of cities. This doing away with the "middlemen" is one of the causes of low prices—a cause that will continue to operate. In a recent address at Manchester Mr. Goschen said: "I think that this is the case in the Manchester trade as well as it is in other directions. I understand that formerly, when a Manchester spinner wanted cotton, he went, generally speaking, to Liverpool, Liverpool went to New York, and New York went to New Orleans or Savannah. But now the spinner goes direct to the producer, and many intermediate profits and commissions are abolished. Again, when the spinner sells his goods, I am told that there is a great diminution in the number of agencies employed, and that often business is conducted for a ten-pound note where formerly large commissions were paid to houses who were agents on a gigantic scale. You all know that between Manchester and India there has been an elimination of a great many middlemen. Now as regards London, that is the case to a still more extraordinary extent. Let me tell you how the cotton trade, for instance, used to be conducted between New Orleans and the interior of Germany. The New Orleans man consigned his cotton to New York or to a New York house; the New York house consigned it to Liverpool, Liverpool to London, London to Hamburg, and Hamburg to spinners in the interior of Germany. But now the German spinner goes direct to New Orleans, and the producer's agent visits him in his home, and a number of intermediate profits and commissions are swept away. England has lost a great portion, I will not say of its transport trade, but of that immense department of its business which consisted in mediating between

different countries. This has had a considerable effect not only in cheapening produce, but also in affecting the tone and temper of trade, because the middlemen of London—and I expect it is the case here, from what I have heard—the middlemen and agents often contributed largely to the excitement of the market. In Mincing Lane, when cargoes of sugar were sold, one cargo would be sold four or five times over. Then the brokers would all be cheerful; they said: 'Here 's a brisk business going on,' and it imparted a certain buoyancy to the market, and there appeared to be great vivacity in the trade. I hear that the same kind of thing went on in Manchester; that there were houses which gave a certain stimulus and impetus to trade at certain times by gigantic speculative operations." Mr. Goschen went on to say, that "if business is quieter for want of these middlemen, it is much sounder, and that it is really better to have five years of low profits than four years of high profits and a crash in the fifth, although few business men would make this better choice."

"Credit" is a matter of custom. There is no particular reason why wool should be bought for cash, and woollen goods upon credit. A great deal depends upon whether the profits to be made will draw capital to invest in this or that article. Unless a broker be rich enough to import himself, he generally sells for cash; but in some countries where the manufacturers have little capital, manufactured goods are sold for cash. The native manufacturers of Mexico always receive cash for their goods, and the Austrian manufacturers are in the habit of insisting on weekly settlements, in order to obtain the means of paying their workmen. In

England, also, the same rule applies. Small makers are compelled to part with their goods at the best price obtainable, in order to pay their men's wages, or meet their bills—which, no doubt, gave origin to the saying: "that you can buy cheaper than you can make." The same applies to houses; so many small builders cannot hold, and have to mortgage, causing so many houses to be sold for what they will fetch, that it is cheaper to buy a house than to build one.

Credit depends on the time that it takes to grow produce, to manufacture goods, or to get them from the manufacturer to the consumer. The longer time, the more capital is needed, and greater help in the shape of credit. The time occupied in bringing raw produce from abroad, and in the distributing of produce and manufactured goods is much less, and increased facilities of communication have, and will make long credits less necessary than they were. Consul Shaw, of Manchester, says: "Credit is much less extensively used, both in wholesale and in retail transactions, than it was ten or twelve years ago. In wholesale businesses open credits have been shortened, and prompt payments are much more frequent than they used to be. Then, again, the amount of bills of exchange drawn against produce or manufactures transferred to buyers is much less than it was ten years ago." This point is strikingly illustrated by the well-known scarcity of "trade bills" in the London discount market during the last three or four years." The latter fact is partly due to the altered method of doing business. The "middle-man's" occupation is gradually going. When the manufacturer sold to the city merchant, who paid him by a bill, and the tradesman

bought through the city merchant, paying him by bill, two bills were in the market being discounted; whereas, now that the tradesman buys direct from the manufacturer, one bill is sufficient. This change of system abolishes at once "half the trade bills" that used to be required.

There is no hope for the man who is content to stoop to lift the coward's weapon of self-defence, and put upon fate, chance, or circumstance his own inability to protect himself. It is his own weakness he has to conquer, and boldly lay hold of seemingly opposing circumstances, and mould them by his own will to his ultimate advantage. It can be done; it has been done. What other men have achieved, why not you? or, if not, lay the fault upon yourself alone. But my advice is, stand up and fight. Determine to conquer; determine to cast the lie back into the teeth of all scoffers at the strength of a man's will, and at his ability to use every circumstance for the end he has in view. They are cowards who would check ambition in others, because they have none themselves. Man's moral courage wants fostering, encouraging, developing; or, like any other attribute, it will fall into decay for lack of exercise. That the element is in the nature of every man, who can doubt? Unfavorable conditions have prevented its development, and it requires some exterior power to bring it into action; but the moral courage of every man will exert itself as soon as he is properly taught the value of a trained intellect; and how the nerve-force of his brain will give muscular power to his hand, and strength to his body in resisting all opposing forces to his progress. The difficulties of life are but trials to bring out the

strength and endurance of our nature, as a storm tests the powers of a ship, or the knife of the cutter reveals the brightness of the precious stone. Never despair; though fate betray and re-betray, with inflexible tenacity of purpose press on, ever struggling "onwards and upwards."

"The height by great men reached and kept
Were not attained by sudden flight,
But they, while their companions slept,
Were toiling upward in the night.
Nor deem the irrevocable past
As wholly wasted, wholly vain,
If, rising on its wrecks, at last
To something nobler we attain!"

Ladder of St. Augustine.

THE END.

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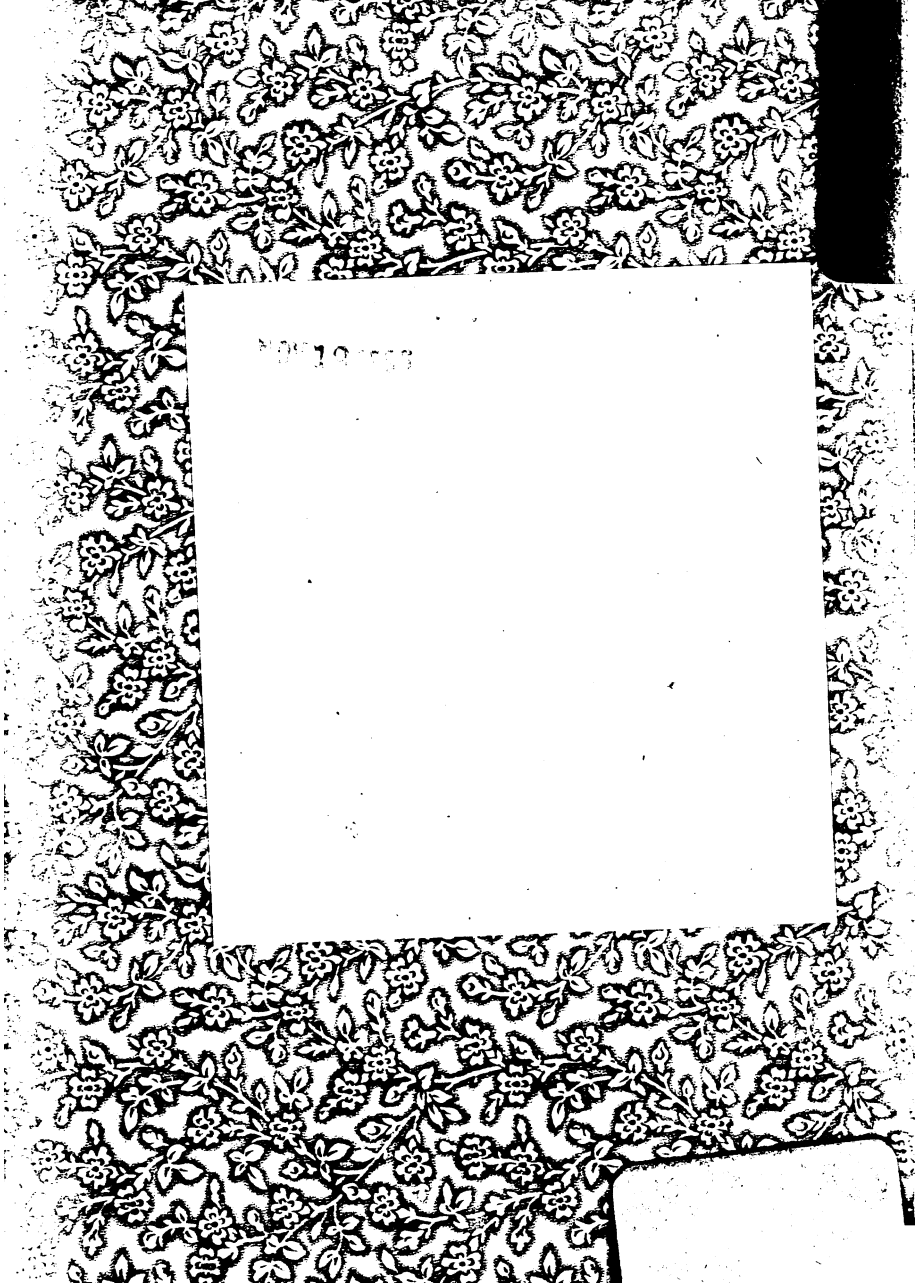
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